

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

**CITY OF FAYETTEVILLE,
ARKANSAS**

For the Year Ended December 31, 2014

**Prepared by
DEPARTMENT OF FINANCE**

**Paul A. Becker
Director of Finance**

**Marsha Hertweck
Accounting Director**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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THE CITY OF FAYETTEVILLE, ARKANSAS

June 19, 2015

To Members of the City Council and Citizens of the City of Fayetteville:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America, (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of Fayetteville for the fiscal year ended December 31, 2014.

This report consists of management's representations concerning the finances of the City of Fayetteville. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Fayetteville has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Fayetteville financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Fayetteville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Fayetteville's financial statements have been audited by Grant Thornton, LLP, a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Fayetteville for the fiscal year ended December 31, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions on the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information that collectively comprise the City of Fayetteville's basic financial statements as of and for the fiscal year ended December 31, 2014. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Fayetteville was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Fayetteville’s Single Audit Section included herein.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Fayetteville’s MD&A can be found immediately following the report of the independent accountants.

During 2011 the City of Fayetteville adopted GASB statement 54, which is reflected in the financial statements of the City. Essentially GASB 54 expanded the number of and provided for more specific definition of classifications identified in the fund balance sections of the Statement of Net Assets and Governmental Fund Balance Sheets. A noticeable change due to the implementation of GASB statement 54 is that the results of operations and assets and liabilities for the City’s Disaster and Replacement Funds is now consolidated in the General Fund on the City’s official audited financial statements because it does not meet the definition of a true stabilization fund. However, this fund is budgeted and accounted for as a separate special revenue fund on the City’s internal records and internal statements. Within the audited financial statement, the activities of the Disaster and Recovery Fund have been identified to enable easy comparisons with prior years. The fund balance amounts associated with the Disaster and Recovery Fund are classified as committed on the General Fund Balance Sheet.

Profile of the Government

The City of Fayetteville was incorporated in 1870. The City is located in the northwestern part of the state, which is considered to be the top growth area in the state, and one of the top growth areas in the country. The City of Fayetteville currently occupies a land area of 55 square miles and serves a population of 73,580 as of the 2010 census. The City of Fayetteville is authorized to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Fayetteville has operated under the Mayor-Council form of government since 1992. Policy-making and legislative authority are vested in the City Council consisting of eight aldermen. The City Council is responsible, among other things, for passing ordinances, adopting the budget and appointing committees. The Mayor is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The City Council and Mayor are elected on a non-partisan basis. The Mayor is elected to serve a four-year term. The Council members serve four-year staggered terms with four council members elected every two years. All eight Council members are elected by ward and the Mayor is elected at large.

The City of Fayetteville provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; water and wastewater services; Trash collection and recycling; and recreational activities as well as cultural events. The City of Fayetteville also reports the financial activity of the Fayetteville Public Library and the Fayetteville Advertising & Promotion Commission on a component unit basis. Additional information on these component units can be found in Note 1.A in the notes to the financial statements.

The annual budget serves as the basis for the City of Fayetteville's financial planning and control. Traditionally, all divisions and departments of the City of Fayetteville are required to submit requests for appropriation to the Mayor on or before the end of August. Not-for-profit agencies that provide City services submit their funding request to the Mayor and City Council each August/September. The Mayor uses these requests as the initial basis for developing a proposed budget. Usually in September, the Mayor presents the proposed General Fund budget to the Council for review. This is done because any property tax levy must be adopted prior to October 31 which is the last day the ordinance must be filed with the County. The Council conducts work sessions with staff and conducts public discussions on the proposed Citywide budget as part of regularly scheduled City Council meetings and during agenda sessions in November and December. Arkansas statutes establish the fiscal year for municipalities as the calendar year and require municipal budgets be submitted to the Council by December 1 of each year in Mayor-Council forms of government. The expenditure budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may initiate transfers of budget object categories within a division. Transfers between object categories within a division within a fund require the special approval of the Budget Director and Finance Director. Transfers between divisions or budgeted projects require council approval. However, budget transfers between personnel categories may be made with the approval of the Finance Director and Chief of Staff. All amendments to the budget which increase the total amount of a fund must be approved by the Council unless delegated by a Bond Trustee agreement.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Fayetteville operates.

Local Economy. The economic conditions in the City continued to improve in 2014. The City's local sales taxes increased 2.01% over prior year. Sales taxes received by the City from the County were also up, 4.16% as compared to 2013. Building permits were about the same as 2013, which indicates that construction activity is still strong. Fayetteville also saw several businesses expand during the year, as well as, new business open operations in the City. The unemployment rate continued to remain low at 3.9%, which was well below both the state and national averages of 5.7% and 5.6% respectively. The University of Arkansas is continuing to expand student enrollment.

Fayetteville and the Northwestern Arkansas area continue to enjoy a stable and diverse economic environment. Major industries with headquarters or divisions in the immediate area include Wal-Mart, Tyson Foods and JB Hunt and, of course, the main campus of the University of Arkansas is located in Fayetteville.

Even though the economic environment continued to improve during the year, the 2015 budget was conservatively based on revenue estimates remaining flat to 2014 with the exception of sales taxes which were projected to increase by 2%. This should provide the City with a sound financial base for 2015. General Fund reserves of over \$14 million should be more than sufficient should economic conditions change.

Long-term financial planning

The City has continued to contract with the Fayetteville Chamber of Commerce to provide economic development services. This underscores the City's commitment to economic development as a critical component of the long-term financial plan.

As a budgeting tool, the City prepares a five year Capital Improvement Program (CIP) to address capital needs. The current CIP was prepared for the period 2015-2019 and was adopted by the Council in April 2014. This plan will be reviewed and adjusted again in 2016.

During 2006, a referendum was adopted by the voters which authorized the issuance of \$65.9 million in bonds to finance road improvements. Although, many of the street projects have been completed, almost \$20,000,000 of funds for projects remain, as well as approximately \$9,000,00 in bonds authorized but not yet issued. This program will greatly enhance the road infrastructure in Fayetteville.

In November 2014, the City issued \$10,980,000 in revenue bonds for Phase I construction of a Regional Park in the southwest quadrant of Fayetteville and partial funding of an expansion to the Walton Performing Arts Center. These projects demonstrate the Cities continued financial support of economic development projects. These bonds will be paid from Hotel Motel and Revenue gross receipt taxes.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the twenty-sixth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the allocation and budgeting of City of resources.

Respectfully submitted,

A handwritten signature in blue ink that reads "Lioneld Jordon". The signature is written in a cursive style with a large initial 'L'.

Lioneld Jordon
Mayor

A handwritten signature in blue ink that reads "Paul A. Becker". The signature is written in a cursive style with a large initial 'P'.

Paul A. Becker
Finance and Internal Services Director



Government Finance Officers Association

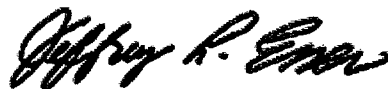
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fayetteville
Arkansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

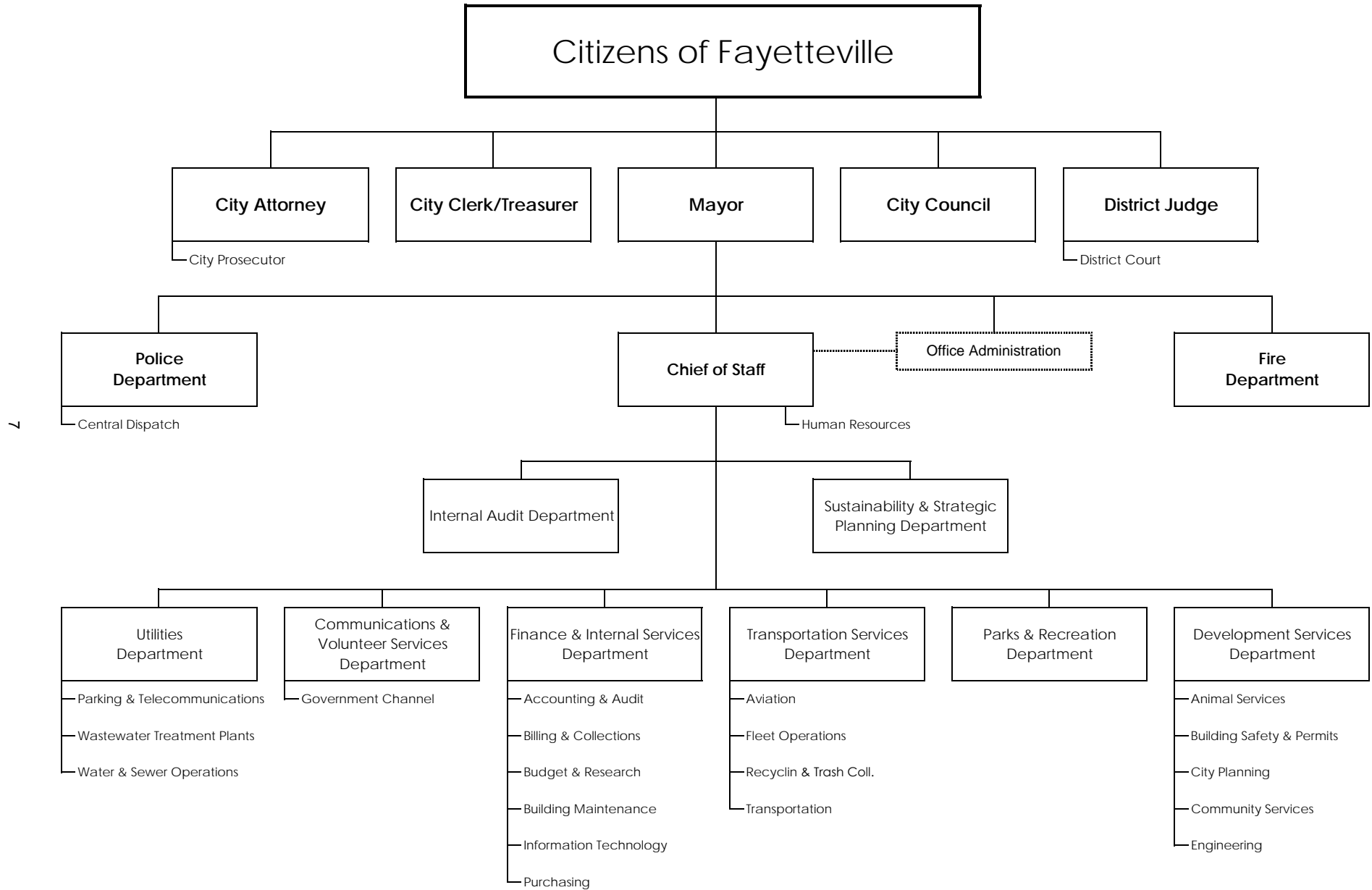
December 31, 2013



Executive Director/CEO

City of Fayetteville, Arkansas

Organizational Chart



Officials of the City of Fayetteville, Arkansas

Elected Officials

Lioneld Jordan	Mayor
Adella Gray	Ward 1, Position 1
Sarah Marsh	Ward 1, Position 2
Mark Kinion	Ward 2, Position 1
Matthew Petty	Ward 2, Position 2
Justin Tennant	Ward 3, Position 1
Martin Schoppmeyer	Ward 3, Position 2
Rhonda Adams	Ward 4, Position 1
Alan Long	Ward 4, Position 2
Kit Williams	City Attorney
Sondra Smith	City Clerk/Treasurer
William Storey	District Judge

Executive Staff and Senior Directors

Paul Becker	Finance and Internal Services Department Director
Connie Edmonston	Parks and Recreation and Community Spaces Department Director
David Dayringer	Fire Chief
Terry Gulley	Transportation Services Department Director
Tim Nyander	Utilities Department Director
Don Marr	Chief of Staff
Jeremy Pate	Development Services Department Director
Lindsley Smith	Communications, Marketing and Volunteer Services Department Director
Greg Tabor	Police Chief



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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The Honorable Mayor and Members of the City Council
The City of Fayetteville, Arkansas

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Arkansas (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fayetteville Advertising and Promotions Commission or the Fayetteville Public Library, which are discretely presented component units which represent 100% of assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Fayetteville Public Library were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Arkansas as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 25, the Schedule of Funding Progress – Single Employer Pension Plan on page 79, the Schedules of the Firemen and Police Net Pension Liability, Changes in Net Pension Liability, Contributions, and Investment Returns on pages 80 through 87, and the Schedule of Funding Progress – Other Postemployment Benefit Plan on page 88, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

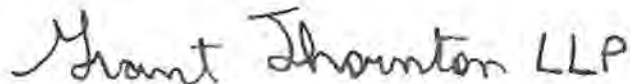
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on pages 145 through 147, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 19, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dallas, Texas
June 19, 2015

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City of Fayetteville, Arkansas
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

As management of the City of Fayetteville (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2014. The information contained here should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introductory Section and various historic summaries of activities and financial performance included in the Statistical Section of this report.

Financial Highlights

- The total assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$555,079,147 (net position). Of this amount \$58,121,654 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$23,732,349 in 2014. Net position of the governmental activities increased by \$24,393,742 which was a 69.7% increase from 2013. Net position of the business-type activities decreased by \$661,393 which was a 189% decrease over 2013.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$88,834,864, an increase of \$6,398,501 from 2013.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,392,804 which is equal to 32.6% of total General Fund expenditures and transfers out.
- The City's total debt including bonds and notes decreased by \$8,983,055 or 7.3% during 2014 to a total of \$113,265,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, finance and internal services, public safety, community planning and engineering, transportation and parking, and parks and recreation. The business-type activities of the City include the airport, town center, recycling and trash collection, and water and sewer.

The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate entities for which the City is financially accountable (known as component units). These two component units are the Advertising & Promotion Commission and the Fayetteville Public Library. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26 and 27 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Sales Tax Improvement Bond Fund, Sales Tax Capital Improvement Fund, Sales Tax 2006A Construction Fund and the HMR Parks/Arts Center Project Fund, all of which are considered to be major funds as defined by generally accepted accounting principles. Data from the other governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic Governmental Fund financial statements can be found on pages 28 through 36 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, recycling and trash collection, airport, and town center operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions for fleet operations. The services provided by the internal service fund predominantly benefit the governmental rather than the business-type functions; therefore, it has been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Town Center Fund, Recycling and Trash Collection Fund and Water and Sewer Fund which are considered to be major funds. The Town Center Fund debt was refunded in 2014 and the fund was closed. The Airport Fund is presented as nonmajor enterprise fund. The Shop Fund is the only internal service fund.

The basic proprietary fund financial statements can be found on pages 38 through 43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 44 and 45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 through 78 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post employment benefits to its employees. Required supplementary information can be found on pages 79 through 88 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 91 through 111 of this report.

Government-wide Financial Analysis

Net position may serve over time as an indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$555,079,147 as of December 31, 2014 as shown in the table below.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets and deferred outflows of resources	\$ 108,422,951	\$ 113,654,756	\$ 47,746,926	\$ 53,156,300	\$156,169,877	\$166,811,056
Capital assets	210,675,663	226,454,443	331,735,895	323,287,053	542,411,558	549,741,496
Total assets and deferred outflows of resources	319,098,614	340,109,199	379,482,821	376,443,353	698,581,435	716,552,552
Long-term liabilities	141,080,672	137,279,702	12,855,441	10,187,282	153,936,113	147,466,984
Other liabilities and deferred inflows of resources	11,286,954	11,704,767	2,011,570	2,301,655	13,298,524	14,006,422
Total liabilities and deferred inflows of resources	152,367,626	148,984,469	14,867,011	12,488,937	167,234,637	161,473,406
Net investment in capital assets	134,218,414	157,318,960	320,567,821	314,446,757	454,786,235	471,765,717
Restricted	27,197,067	23,784,826	1,591,550	1,406,950	28,788,617	25,191,776
Unrestricted	5,315,507	10,020,944	42,456,439	48,100,710	47,771,946	58,121,654
Total net position	\$166,730,988	\$191,124,730	\$364,615,810	\$363,954,417	\$531,346,798	\$555,079,147

The largest portion of the City's net position is net investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment) less any debt to acquire the asset. Even though these assets are reported net of related debt the liability to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate debt. Net investment in capital assets increased by \$16,979,482 in 2014. A discussion of the changes in capital assets can be found on page 22. Net position is also subject to external restrictions on how it may be used. The City has \$25,191,776 of restricted net position which is limited by state or municipal laws or grant or contractual agreements as to the use of these funds. Unrestricted net position, which may be used to meet ongoing obligations of the City, totaled \$58,121,654. In this total, \$10,020,944 is reported in the governmental activities and \$48,100,710 in the business-type activities of the City.

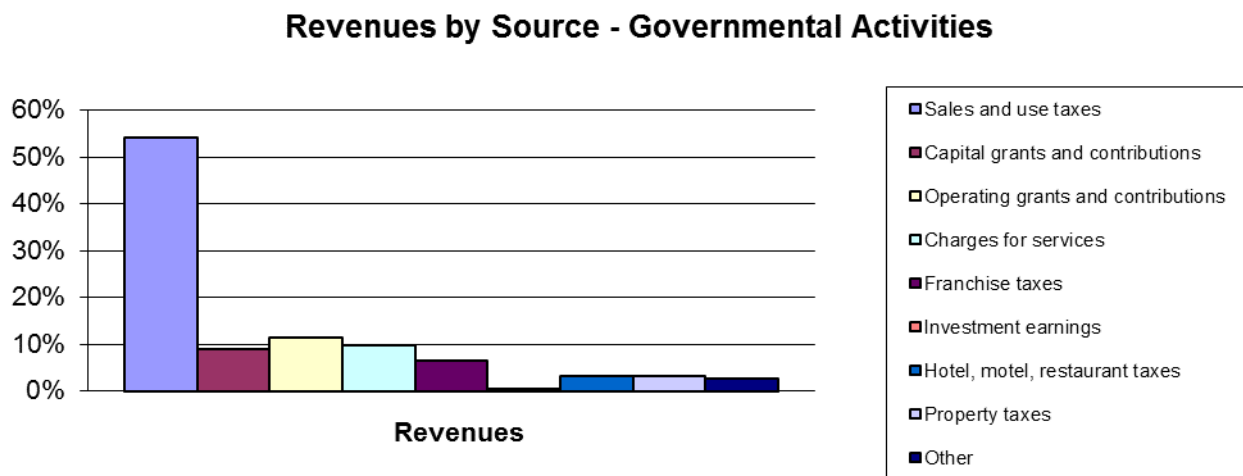
The government's net position increased by \$23,732,349 during the current year. The changes in net position is shown in the following schedule.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 7,092,541	\$ 9,001,776	\$ 44,822,170	\$ 46,067,239	\$ 51,914,711	\$ 55,069,015
Operating grants and contributions	8,044,009	10,516,762	-	11,014	8,044,009	10,527,776
Capital grants and contributions	9,639,429	8,264,672	2,196,534	4,016,376	11,835,963	12,281,048
General revenues:						
Sales and use taxes	48,266,826	50,058,697	25,061	22,639	48,291,887	50,081,336
Property taxes	2,801,109	2,951,675	-	-	2,801,109	2,951,675
Franchise taxes	5,619,859	5,819,517	162,169	209,389	5,782,028	6,028,906
Hotel, motel, restaurant taxes	2,624,137	2,792,133	-	-	2,624,137	2,792,133
Impact fees	1,291,036	1,411,144	-	-	1,291,036	1,411,144
Investment earnings	34,449	376,717	14,953	325,707	49,402	702,424
Other	(655,454)	1,109,621	1,298,294	1,222,518	642,840	2,332,139
Total revenues	84,757,941	92,302,714	48,519,181	51,874,882	133,277,122	144,177,596
Expenses:						
General government	7,785,005	7,385,429	-	-	7,785,005	7,385,429
Finance and internal services	3,715,334	4,159,837	-	-	3,715,213	4,159,837
Public safety	27,597,173	28,313,610	-	-	27,859,529	28,313,610
Community planning and engineering	3,710,029	3,902,090	-	-	3,710,029	3,902,090
Transportation and parking	16,593,532	17,523,912	-	-	16,593,532	17,523,912
Parks and recreation	4,372,727	4,449,030	-	-	4,372,727	4,449,030
Interest on long-term debt	4,592,107	4,384,316	-	-	4,592,107	4,384,316
Airport	-	-	3,510,791	3,604,077	3,510,791	3,604,077
Town center	-	-	452,828	366,518	452,828	366,518
Recycling and trash	-	-	9,759,030	9,985,615	9,759,030	9,985,615
Water and sewer	-	-	36,071,609	36,370,813	36,071,609	36,370,813
Total expenses	68,365,907	70,118,224	49,794,258	50,327,023	118,160,165	120,445,247
Increase in net position before transfers	16,392,034	22,184,490	(1,275,077)	1,547,859	15,116,957	23,732,349
Transfers	(2,014,637)	2,209,252	2,014,637	(2,209,252)	-	-
Total change in net position	14,377,397	24,393,742	739,560	(661,393)	15,116,957	23,732,349
Net position -- beginning of year restated	152,353,591	166,730,988	363,876,250	364,615,810	516,229,841	531,346,798
Net position -- December 31	\$166,730,988	\$191,124,730	\$364,615,810	\$363,954,417	\$531,346,798	\$555,079,147

Governmental activities. Governmental activities net position increased by \$24,393,742, which was \$10,016,345 increase over the prior year. Key elements in the increase are as follows:

- Grants and contributions increased by \$1,097,996 due in large part to cost share reimbursements associated with the City's transportation improvement program.
- Sales and use taxes were up \$1,791,871 due to economic growth.
- The residual balance from closing the Town Center Fund to the governmental activities resulted in the transfer of residual equity of \$3,803,159 which included a capital asset with a book value of \$4,441,689.
- Other revenues increased by \$1,765,075 mainly due to the gain on the sale of City property.
- Capital assets donated from developers to governmental activities amounted to \$4,743,612 in 2014.

A chart of revenues by source for governmental activities is presented below.

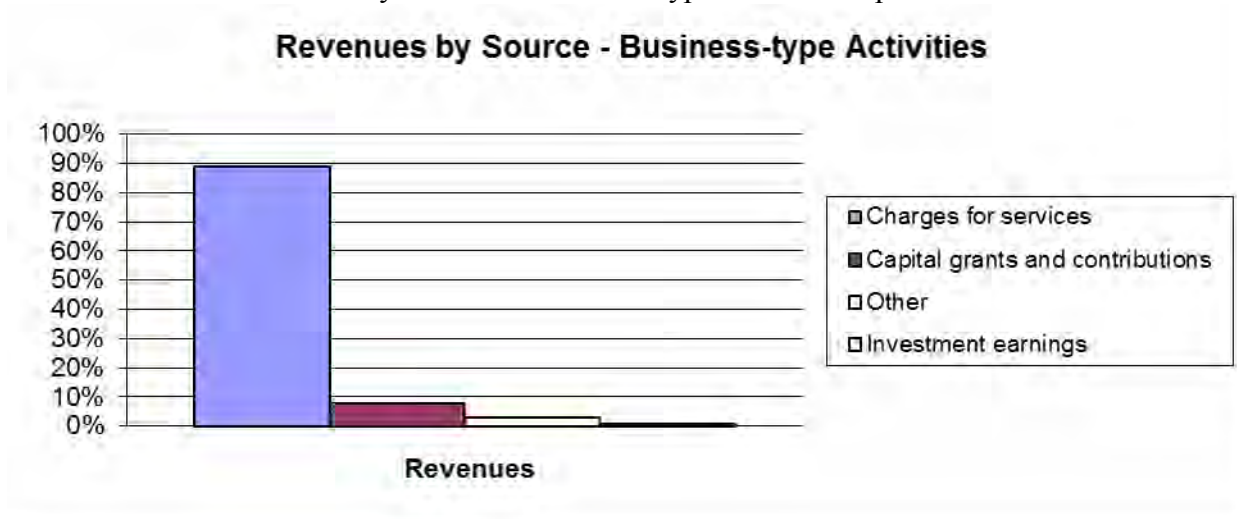


Business-type activities. The business-type activities net position decreased by \$661,393. Key elements in the overall decrease in net position are as follows:

- The Water and Sewer Fund had an increase in net position of \$3,631,562. A significant factor was an increase in capital donations from outside developers of \$2,016,389. Operating revenues increased by \$657,636 due in part to increased rates while operating expenses increased by \$415,928.
- The Recycling and Trash Collection Fund had a decrease of net position of \$377,003 due in large part to an increase in personnel costs of \$282,223 and depreciation of \$85,461.
- The Airport Fund had a decrease in net position of \$1,206,925, which when compared to the decrease in 2013 of \$1,387,239 was an improvement of \$180,314. Operating revenues increased by \$433,186 due in large part to increased fuel sales.

- The City closed the Town Center Fund and transferred the remaining assets and liabilities to the Governmental Activities of the City. The major component of the transfer was land and a building with a book value of \$4,441,689. The net value of the assets/liabilities transferred was \$3,803,519, which shows as a loss in the Town Center Fund.

A chart of revenues by source for business-type activities is presented below.



Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$88,834,864, an increase of \$6,398,501 in comparison with the prior year. Of this total amount \$14,392,804 constitutes unassigned fund balance, which is available for spending. The remainder of fund balance is shown as nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14,392,804 while total fund balance was \$19,334,630. The total fund balance decreased by \$1,870,425 from the amount previously reported. A major component of this decrease was due to an increase in transfers to other funds of \$6,303,339 from prior year transfers, with \$2,713,706 to the Sales Tax Capital Improvement Fund mainly for greenspace acquisition and \$3,660,758 to the Parking Deck Project Fund for the City's new parking deck. Sales and alcoholic beverage taxes increased by \$743,230 and gain on the sale of assets increased by \$1,494,354, in large part due to the sale of City owned property. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 32.6% of total General Fund expenditures, while total fund balance represents 43.8% of that same amount.

The Sales Tax Improvement Bond Debt Service Fund had total fund balance of \$5,571,019 all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$1,910,633 which was due to the payment of debt from previously accumulated funds.

The Sales Tax Capital Improvement Fund had a total fund balance of \$8,837,350 which represents a \$4,551,064 increase from 2013. The majority of the increase was due to receipt of grant funds from projects from prior years. The fund also received transfers from other funds of \$2,713,706, mainly for acquisition of property for greenspace and parks.

The Sales Tax 2006A Construction Fund is used to account for the bonds proceeds to fund the financing needs of a street and trails capital program. The fund had a total fund balance at year-end of \$18,925,938 which was a \$7,539,464 decrease from 2013. This decrease is due to the continued project expenditures to fund the street and trails program.

The HMR/Arts Center Project Fund was created to account for the bond proceeds to fund a new regional park in the southwest area of Fayetteville and for improvements to the Walton Arts Center. The fund had total fund balance of \$10,813,109 at year end. The fund received net proceeds from a bond issue of \$10,823,660 in 2014.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Town Center Fund was closed in 2014 and the assets and liabilities were transferred to the governmental activities of the City. The main components of the transfer were land and a building with a book value of \$4,441,689. The Recycling and Trash Collection Fund had \$11,811,652 in net position with \$8,537,897 in unrestricted net position at year-end. This represents a decrease of \$377,003 in net position from 2013, largely due to an increase in recycling and trash collection operating expenses of \$461,701. Net position of the Water and Sewer Fund increased by \$3,631,562 to a total of \$339,038,196 with \$36,405,178 in unrestricted net position at year-end. This increase in net position is due mainly to an increase in capital contributions from developers of \$2,016,389 over 2013.

Budgetary Highlights

General Fund Expenditure Budget Amendments

The original approved budget for the General Fund which includes the Disaster Recovery and Replacement Fund for 2014 was \$37,502,000. This amount was amended to \$48,001,008 during the year. Amendments for the year in expenses and transfers out between the original and the final amended budget were therefore, \$10,499,008. Primary reasons for these amendments to the original budget were as follows:

- Major items that were expected to be purchased from the prior year and uncompleted projects that were re-appropriated by the City Council resulted in an increase of \$2,619,330.
- Employee compensation resulted in an increase of \$804,000.
- Police and Fire Department federal grants recognized as revenue and appropriated to expense accounts resulted in an increase of \$436,786. This was due to timing issues.
- Hazmat revenue received from Washington County for the Fire Department of \$26,322.

- Budgeted funds were increased in the total amount of \$151,606 for the following: recognized \$66,195 in donations to the Animal Services Division, \$7,900 in donations to the Police Department, \$8,515 for a Historic Grant, \$2,465 for a Urban Sustainability Directors Network grant, \$50,731 in donations to the Yvonne Richardson Community Center, \$800 in donations to the Fire Department, \$10,000 award to the Police Department from the U.S. Conference of Mayors for a prescription drug abuse prevention awareness program, and a \$5,000 grant from the Clinton Foundation for a Home Energy Affordability Loan pilot project.
- Funds from the sale of Tyson Facility of \$1,113,706 were transferred to the Tyson Infrastructure Completion Project in the Sales Tax Capital Improvement Fund.
- Funds were transferred in the amount of \$3,660,758 for the new parking deck to enter into the construction phase of the contract.
- Funds to provide a matching grant from the Walton Family Foundation to purchase Mt. Kessler in the amount of \$1,600,000.
- Funds in the total amount of \$82,500 were used for the following: \$20,000 increase in minor equipment for District Court, \$22,500 for the City's Emergency Notification System, and \$40,000 for the Special Election for the Repeal of Civil Rights Ordinance #5703.
- Recognized \$4,000 collected for public access television fees for promotional activities.

General Fund Variances Budget to Actual

Major variances between budget and actual amounts for revenues and incoming transfers were less than the amended budget amounts by the net amount of \$504,253. Specific variances are as follows:

- Sales tax revenue was greater than budget projections by \$154,153 for County shared sales tax and City sales tax was \$104,010 less than budget projections. Alcoholic Beverage tax revenue was greater than budget projections by \$21,510.
- Intergovernmental revenue was less than the amended budget by \$656,028. This is mainly due to project revenues associated with projects that were re-appropriated into 2015. Timing issues where the grant period doesn't coincide with the City's fiscal year are also a factor.
- Franchise fee revenue was greater than the amended budget projections by \$359,517 due to greater service usage as well as rate increases.
- Licenses and Permits revenue was greater than the amended budget projections by \$412,832. This was primarily due to an increase in building permit fee collections.
- Interest earnings revenue was greater than the amended budget projections by \$70,056.
- General Fund net charges for services revenue was less than the amended budget by \$65,215 due to reimbursements not received in the same year as budgeted. These revenues will be received in 2015.
- Fines and forfeitures revenue was less than the amended budget by \$184,193 as District Court fees collected were less.
- Property tax revenue was less than the amended budget projections by \$97,117. This was due primarily to a reduction in prior year tax collection.

- Gain/loss on sale of assets was greater than the amended budget projection by \$369,354 due to the sale of a lot in the industrial park and miscellaneous assets on gov.deals.
- Miscellaneous revenue was greater than the amended budget projection by \$232,104 due to an agreement with Bio Base Corporation to receive a portion of increased sales price if previously purchased land was sold before ten years.

Actual amounts for expenses and outgoing transfers were less than budgeted by \$3,835,021. Primary reasons for this were as follows:

- \$2,072,591 was caused by delay of project expenses until 2015.
- The citywide personnel service expense category had a remaining budgeted balance of \$1,066,176 because of open and frozen positions and attrition during the year.
- The materials and supplies expense category had a remaining budgeted balance of \$110,243, which was from these categories: copies (\$19,762), minor equipment (\$13,835), fuel (\$47,614), office supplies (\$13,754), and other supplies (\$15,278).
- The services and charges expense category had a remaining budgeted balance of \$546,321 which was from: motor pool charges/equipment rental (\$20,033), contract/professional services (\$335,593), donation contingency fees (\$14,249), insurance (\$13,119), telephone/utilities (\$76,510), training/publications (\$60,059), uniforms/gear (\$5,859), public notification (\$4,622) and other services & charges (\$16,277).
- The maintenance expense category had a remaining budgeted balance of \$41,207 which consisted of: office/building & grounds maintenance (\$11,021), software maintenance (\$20,783), and other maintenance (\$9,403).

Capital Asset and Debt Administration

Capital assets. As of December 31, 2014, the City's investment in capital assets for its governmental activities and business-type activities amounted to \$549,741,496 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery, vehicles, equipment and infrastructure. The City's capital assets increased by \$7,329,938 with depreciation included.

Major capital asset events during the current fiscal year include the following:

- Improvements to the City's park system from hotel, motel and restaurant taxes totaled \$1,988,379 which were mainly used for the City's new regional park project.
- Total infrastructure assets of the general government, such as streets, sidewalks, trails, and storm drains, capitalized in 2014 were \$16,890,236 including \$4,743,612 donated by private developers.
- Total water and sewer fund capital asset additions for 2014 were \$8,336,706 which included \$3,488,988 of water and sewer lines donated by private developers.

Additional information on the City's capital assets can be found in note 4.B starting on page 57 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$113,265,000. All of the City's debt represents bonds secured solely by specified revenue sources (i.e., sales and use tax bonds, revenue bonds). Debt secured by sales and use tax totaled \$84,795,000. The City's debt payments were \$19,578,056 during the current fiscal year. The City issued new debt \$10,980,000 Hotel, Motel and Restaurant Gross Receipts Tax and Tourism Revenue Capital Improvement and Refunding Bonds, Series 2014, for the City's new regional park project and for improvements to the Walton Arts Center. The City also issued the \$6,330,000 Water and Sewer System Refunding Revenue Bonds, Series 2014 to refund the \$ 7,390,000 Water and Sewer System Revenue Bonds from 2009.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of its total assessed valuation for long-term debt and 5% for short-term debt. The City's current debt limit for both is \$335,708,644, with short-term debt limited to \$67,141,729 of the total allowed. The City also had \$3,130,000 in long-term debt payable with a pledge of the incremental property tax increases of the Highway 71 East Square Redevelopment District #1.

Additional information on the City's long-term debt can be found in note 4.F starting on page 63 of this report.

Economic Factors and Next Year's Budgets and Rates

The City continued to experience moderate but steady revenue increases in 2014 as economic conditions improve in the City. General Fund Revenue was approximately \$ 1.7 million over 2013 after adjusting for grant and one time miscellaneous revenues. Sales Tax collections (which average approximately 60% of General fund revenues) were up 2.85% compared to last year. This was the third straight year of sales tax increases after a two year period of decline (2009 and 2010). Total General Fund revenue was in line with budget estimates after adjusting for one time revenue items.

City wide revenue collections were up approximately \$9 million compared to last year based on the full accrual basis as reflected in the Entity Wide Statements (again after adjusting for one-time items). Increases were experienced in charges for services for both General Governmental Activities and Business-type activities which was a reflection of increased economic activity and a 3% increase in Water and Sewer rates. Most taxes and fees also increased due to activity generated from prior and current year increased building activity.

Although the overall economic environment in Fayetteville continued to improve in 2014, the 2015 budget was formulated on conservative budget assumptions. Total sales and use tax collections were projected to increase 2% over 2014 budgetary estimates. Franchise fees were projected to remain flat compared to 2014 projected receipts. Building permit revenue is expected to decrease somewhat compared to 2014. Other revenues were projected to match 2014 revised budget estimates.

The General Fund adopted budget for 2015 was \$38.2 million which is \$706,000 over the 2014 budget, due to increased pension obligations, health insurance costs and 2014 salary increases that were factored into the budget. However, many of the cost control measures implemented in the recent past were continued. Only two new positions were added and neither were in the General Fund. The overall City 2015 operating budget for all funds adopted by the City Council was

\$145.2 million. This represented an increase of 6.6% increase from 2014. This increase was primarily due to personnel costs increases, supply cost increases and \$7 million in capital project increases. Total personnel budget increases were approximately \$900,000 while supply costs increased by \$1.1 million. At the end of the first quarter of 2015, the City wide budget was amended to add a compensation package in the amount of \$1,375,000. This 2015 compensation package was recommended by the Mayor. The City Council unanimously approved the Mayor's recommendations and the enhanced salary package for City employees was added to the 2015 budget.

The City of Fayetteville's Mayor and City Council have a long established a practice of making annual budgetary decisions for the General Fund in the context of a multi-year forecast that considers revenue growth, staffing needs and unrestricted reserve levels, as well as reviewing the performance of the local economy to determine if continued economic expansion can be expected. This process provides the Mayor and City Council a comfort level that current needs are being addressed. Public safety issues are traditionally the first priority and this remained the same for the 2015 budget. The Mayor continues to formulate the proposed budget in the framework of his two additional objectives which are to protect necessary jobs and to maintain or increase the same level of services to the citizens wherever possible. The Mayor reaffirmed his intent to bring a yearly compensation package forward to the Council during the first quarter of 2015 if affordable. This gives the administration the opportunity to review the prior year results and evaluate conditions that exist in the first quarter of the affected year prior to the development and presentation of a salary plan.

The following economic factors will have a direct impact on economic conditions and City finances in 2015

- Unemployment for Fayetteville has remained relatively low at 3.9% as compared to 5.7% for the State of Arkansas and 5.6% nationally (as of December 2014).
- The population, as evidenced by the census completed in 2010, showed the City had grown by 15,533 or 26.7% over the period between 2000 and 2010. This population increase has been driven by the increasing enrollment at the University of Arkansas. The University has grown by 3.8% between 2013 and 2014 and University Officials have plans for continued growth in the future.
- Sales and use tax collections (which are the primary source of funding for the General Fund) increased by 2.85 % compared to the prior year. This trend needs to continue to accommodate necessary expenditure growth in the future.
- The number of building permits for 2014 was higher than 2013. However; permit fees were much greater due to the type of development and valuation rate changes between years. This increase reflects significant strength in local housing and commercial housing markets.
- Assessed value for total property within the City has been relatively stable through the years and continues to increase throughout the City.

One of the primary goals of the City is to maintain a minimum unassigned fund balance in the General Fund of 16.4% of operating expenditures. The 2014 General Fund budget adopted is estimated to provide approximately 38.8% of operating expenditure coverage. The year-end

unassigned General Fund was approximately \$14.1 million after providing for re appropriated projects carried forward from 2014. This should be sufficient to provide funds for unforeseen conditions which could be encountered.

At of the end of the first quarter of fiscal 2015, most revenues were above estimates while expenditures were in line with projections. Sales and use tax revenue was up 9% compared to the amount budgeted for the first two months of 2015. This was primarily because of the unusually bad weather experienced in Northwest Arkansas during the first quarter of 2014. The City will, however, monitor current conditions and implement adjustments if necessary. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Accounting Director, City of Fayetteville, 113 West Mountain Street, Fayetteville, Arkansas, 72701.

City of Fayetteville, Arkansas
Statement of Net Position
December 31, 2014

				Component Units	
	Governmental Activities	Business-type Activities	Total	Library	Advertising & Promotion
Assets and Deferred Outflows of Resources					
Assets:					
Cash	\$ 4,945,745	\$ 1,308,056	\$ 6,253,801	\$ 3,979,656	\$ 398,428
Investments	53,938,230	42,354,449	96,292,679	3,712,059	1,816,842
Accounts receivable	1,889,914	4,734,197	6,624,111	1,636,466	34,886
Accrued interest	87,258	68,490	155,748	28,269	
Internal balances	(1,668,983)	1,668,983			
Due from other governments	10,675,910	33,600	10,709,510		
Due from component unit	4,731		4,731		
Due from fiduciary fund	5,469		5,469		
Due from primary government					11,153
Inventories	245,319	1,306,804	1,552,123	19,253	11,209
Prepays and other assets	256,697	88,311	345,008	115,754	20,257
Restricted Assets:					
Cash and cash equivalents				314,611	
Investments	39,476,550	1,505,549	40,982,099	4,841,531	
Accrued interest	294	7	301	18,111	
Due from other governments	3,592,880		3,592,880		
Unamortized prepaid bond insurance	204,742		204,742		
Capital assets					
Land	52,554,772	12,026,512	64,581,284		198,621
Buildings	37,222,993	121,103,706	158,326,699	21,037,178	1,453,775
Improvements other than buildings	17,557,038	345,474,498	363,031,536		233,937
Machinery, equipment and vehicles	53,192,652	34,380,493	87,573,145	5,016,534	
Construction in progress	2,829,341	1,254,565	4,083,906		9,218
Infrastructure	246,599,756		246,599,756		
Accumulated depreciation	(183,502,109)	(190,952,721)	(374,454,830)	(7,454,872)	(506,470)
Total assets	340,109,199	376,355,499	716,464,698	33,264,550	3,681,856
Deferred outflows of resources:					
Unamortized gain on debt refunding		87,854	87,854		
Total deferred outflows of resources		87,854	87,854		
Total assets and deferred outflows of resources	340,109,199	376,443,353	716,552,552	33,264,550	3,681,856
Liabilities and Deferred Inflows of Resources					
Liabilities:					
Accounts payable	3,362,665	1,025,822	4,388,487	117,099	9,409
Accrued expenses	878,565	222,837	1,101,402	309,652	10,652
Accrued interest	3,355,204	87,650	3,442,854		
Due to component unit	11,153		11,153		
Due to fiduciary funds	13,074		13,074		
Due to primary government			0		4,731
Due to other governments	19,974	78,979	98,953		
Customer deposits		817,963	817,963		
Unearned revenue	4,064,132	68,403	4,132,535	10,000	87,979
Noncurrent liabilities					
Due within one year:					
Bonds payable - current maturities	8,980,000	1,510,000	10,490,000		
Compensated absences	2,898,963	591,365	3,490,328		
Due beyond one year:					
Bonds payable	97,336,444	7,418,151	104,754,595		
Compensated absences	4,589,704	667,766	5,257,470		
Net pension obligation	21,157,726		21,157,726		
Other post employment benefits	2,316,865		2,316,865		
Total liabilities	148,984,469	12,488,936	161,473,405	436,751	112,771
Deferred inflows of resources:					
Unavailable revenue - contributions				129,736	
Total deferred inflow of resources				129,736	
Total liabilities and deferred inflows of resources	148,984,469	12,488,936	161,473,405	566,487	112,771
Net Position					
Net investment in capital assets	157,318,960	314,446,757	471,765,717	18,598,840	1,389,081
Restricted for:					
Debt service	2,732,235	1,406,950	4,139,185		
Transportation and parking	6,090,706		6,090,706		
Public safety	3,127,927		3,127,927		
Parks and recreation	6,034,174		6,034,174		
Water and wastewater	4,797,885		4,797,885		
Other					
Expendable	475,667		475,667	4,200,461	
Nonexpendable	526,232		526,232	1,250,000	
Unrestricted	10,020,944	48,100,710	58,121,654	8,648,762	2,180,004
Total net position	\$ 191,124,730	\$ 363,954,417	\$ 555,079,147	\$ 32,698,063	\$ 3,569,085

The notes to the financial statements are an integral part of this statement.

City of Fayetteville, Arkansas
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Units
Primary government:							
Governmental activities:							
Finance and internal services	\$ 7,385,429	\$ 2,684,843	\$ 1,332,843	\$ 23,491	\$ (3,344,252)	\$ (3,344,252)	\$
Public safety	4,159,837	343,626			(3,816,211)	(3,816,211)	
Community planning and engineering	28,313,610	1,566,490	2,446,667		(24,300,453)	(24,300,453)	
Transportation and parking	3,902,090	1,317,984	629,345		(1,954,761)	(1,954,761)	
Parks and recreation	17,523,912	2,043,408	6,018,973	6,167,114	(3,294,417)	(3,294,417)	
Interest on debt/ issue costs	4,449,030	1,045,425	88,934	2,074,067	(1,240,604)	(1,240,604)	
Total governmental activities	<u>4,384,316</u>	<u>9,001,776</u>	<u>10,516,762</u>	<u>8,264,672</u>	<u>(4,384,316)</u>	<u>(4,384,316)</u>	
	70,118,224				(42,335,014)	(42,335,014)	
Business-type activities:							
Airport	3,604,077	2,346,228		28,140		(1,229,709)	(1,229,709)
Town center	366,518					(366,518)	(366,518)
Recycling and trash	9,985,615	9,862,792	11,014	24,487		(87,322)	(87,322)
Water and sewer	36,370,813	33,858,219		3,963,749		1,451,155	1,451,155
Total business-type activities	<u>50,327,023</u>	<u>46,067,239</u>	<u>11,014</u>	<u>4,016,376</u>	<u>(232,394)</u>	<u>(232,394)</u>	
Total primary government	<u>\$ 120,445,247</u>	<u>\$ 55,069,015</u>	<u>\$ 10,527,776</u>	<u>\$ 12,281,048</u>	<u>(42,335,014)</u>	<u>(42,567,408)</u>	
Component Units:							
Library	\$ 4,902,584	\$ 130,447	\$ 2,589,626	\$		(2,182,511)	(2,950,813)
Advertising and Promotion	<u>3,638,637</u>	<u>687,824</u>	<u></u>	<u></u>		<u>(2,182,511)</u>	<u>(2,950,813)</u>
Total component units	<u>\$ 8,541,221</u>	<u>\$ 818,271</u>	<u>\$ 2,589,626</u>	<u>\$</u>			
General revenues:							
Taxes & fees							
General purpose sales and use taxes					50,058,697	22,639	50,081,336
Property taxes					2,951,675		2,951,675
Franchise fees					5,819,517	209,389	6,028,906
Hotel, motel, restaurant taxes					2,792,133		2,792,133
Impact fees					1,411,144		1,411,144
Investment earnings					376,717	325,707	702,424
Other					1,109,621	1,222,518	533,312
Transfers					<u>2,209,252</u>	<u>(2,209,252)</u>	<u>57,651</u>
Total general revenues and transfers					66,728,756	(428,999)	1,960,080
Change in net position					24,393,742	(661,393)	(143,222)
Net position, beginning of year					166,730,988	364,615,810	32,920,494
Net position, end of year					\$ 191,124,730	\$ 363,954,417	\$ 3,712,307
					\$ 555,079,147	\$ 32,698,063	\$ 3,569,085

The notes to the financial statements are an integral part of this statement.

City of Fayetteville, Arkansas
Balance Sheet
Governmental Funds
December 31, 2014

	General	Debt Service Sales Tax Imp Bonds	Capital Projects Sales Tax Capital Improvement
Assets and Deferred Outflows of Resources			
Assets			
Cash	\$ 3,594,189	\$	\$
Investments	17,180,181		8,739,186
Accounts receivable	1,493,378		
Accrued interest	27,781		14,132
Due from other funds	1,180,348		
Due from fiduciary fund	3,500		
Due from component unit	4,731		
Due from other governments	6,210,494		2,926,340
Prepaid expenditures	158,387		
Restricted assets:			
Investments		4,009,548	
Accrued interest		33	
Due from other governments		3,434,572	
Total assets and deferred outflows of resources	\$ 29,852,989	\$ 7,444,153	\$ 11,679,658
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 1,947,726	\$	\$ 140,883
Accrued expenditures	721,003		
Accrued interest			
Compensated absences	403,936		
Due to other funds	203,173		258,813
Due to component unit	11,153		
Due to fiduciary funds	9,202		
Due to other governments			
Unearned revenue	3,215,590		140,479
Total liabilities	6,511,783		540,175
Deferred inflows of resources			
Unavailable revenue - grants and general revenues	93,463		1,553,168
Unavailable revenue - taxes	3,913,113	1,873,134	748,965
Total deferred inflows of resources	4,006,576	1,873,134	2,302,133
Total liabilities and deferred inflows of resources	10,518,359	1,873,134	2,842,308
Fund balances			
Nonspendable			
Prepaid expenditures	158,387		
Long term loans	269,535		
Restricted for:			
General government			
Transportation and parking			643,145
Public safety	616,819		807,259
Sustainability			
Community planning and engineering	133,351		164,524
Parks and recreation	68,431		324,141
Water and wastewater			
Debt service		5,571,019	
Finance and internal services			90,012
Committed to:			
Economic development	135,491		
General government	283,408		
Disaster recovery	3,000,000		
Finance and internal services	52,000		
Assigned to:			
General government	1,073		
Finance and internal services	169,335		
Transportation and parking			
Public safety	53,996		
Capital outlay			6,808,269
Unassigned	14,392,804		
Total fund balances	19,334,630	5,571,019	8,837,350
Total liabilities, deferred inflows of resources and fund balances	\$ 29,852,989	\$ 7,444,153	\$ 11,679,658

<u>Capital Projects Sales Tax 2006A Construction</u>	<u>Capital Projects HMR Parks/Arts Center Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 653	\$	\$ 1,350,903	\$ 4,945,745
		19,778,677	45,698,044
		388,120	1,881,498
		32,020	73,933
		184,823	1,365,171
		1,969	5,469
			4,731
		1,539,076	10,675,910
		4,929	163,316
19,576,977	10,823,178	5,066,847	39,476,550
163	90	8	294
		158,308	3,592,880
<u>\$ 19,577,793</u>	<u>\$ 10,823,268</u>	<u>\$ 28,505,680</u>	<u>\$ 107,883,541</u>
\$ 632,634	\$ 10,159	\$ 614,344	\$ 3,345,746
		131,098	852,101
		20,271	20,271
		65,449	469,385
19,221		410,929	892,136
			11,153
		3,872	13,074
		19,974	19,974
		708,063	4,064,132
<u>651,855</u>	<u>10,159</u>	<u>1,974,000</u>	<u>9,687,972</u>
			1,646,631
		1,178,862	7,714,074
		1,178,862	9,360,705
<u>651,855</u>	<u>10,159</u>	<u>3,152,862</u>	<u>19,048,677</u>
		4,929	163,316
			269,535
	7,170,411		7,170,411
18,925,938		9,778,786	29,347,869
		1,703,849	3,127,927
		62,602	62,602
		25,118	322,993
	3,642,698	5,641,572	9,676,842
		4,797,885	4,797,885
		484,679	6,055,698
			90,012
			135,491
			283,408
			3,000,000
			52,000
			1,073
			169,335
		2,853,398	2,853,398
			53,996
			6,808,269
			14,392,804
<u>18,925,938</u>	<u>10,813,109</u>	<u>25,352,818</u>	<u>88,834,864</u>
<u>\$ 19,577,793</u>	<u>\$ 10,823,268</u>	<u>\$ 28,505,680</u>	<u>\$ 107,883,541</u>

City of Fayetteville, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the Year Ended December 31, 2014

Total fund balances - governmental funds	\$	88,834,864
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Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore , are not reported in the funds. These assets consist of:

Land	\$	52,538,516	
Buildings		36,352,391	
Improvements other than buildings		17,557,038	
Machinery, equipment and vehicles		22,818,666	
Construction in progress		2,797,282	
Infrastructure		246,599,756	
Accumulated depreciation		<u>(164,761,641)</u>	
Total	\$	<u>213,902,008</u>	213,902,008

Some revenues in the governmental funds are not collected within the prescribed time period after year end and therefore, are considered unavailable. These revenues are recognized on the full accrual basis in the government-wide financial statements.	9,360,705
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Internal service funds are used by management to charge the costs of the City's fleet management to the individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	18,782,784
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Long-term asset prepaid bond insurance is amortized over the life of the bond issue and is not reported in the governmental funds.	204,742
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Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. Those liabilities include:

Bonds payable, net	\$	106,316,444	
Interest payable		3,334,933	
Net pension obligation		21,157,726	
Other post employment benefits		2,316,865	
Compensated absences		<u>6,834,405</u>	
Total	\$	<u>139,960,373</u>	<u>(139,960,373)</u>

Governmental activities net position	\$	<u>191,124,730</u>
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The notes to the financial statements are an integral part of this statement.

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City of Fayetteville, Arkansas
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Debt Service Sales Tax Imp Bonds	Capital Projects Sales Tax Capital Improvement
Revenues:			
Sales and alcoholic beverage tax	\$ 23,851,653	\$ 18,416,342	\$ 7,361,993
Hotel, motel, restaurant tax			
Property tax	1,686,883		6
Franchise fee	5,819,517		
Impact fee			
Licenses and permits	1,319,832		
Intergovernmental	2,850,536		5,825,712
Charges for services	1,678,791		364,894
Fines and forfeitures	1,432,076		
Investment earnings	127,056	424	46,139
Net increase(decrease) in the fair value of investments	2,042		(2,492)
Contributions	135,432		5,001
Other	3,391,744		28,089
Total revenues	42,295,562	18,416,766	13,629,342
Expenditures:			
Current:			
General government	5,820,232	1,333	547,205
Finance and internal services	3,147,743		663,922
Public safety	23,409,292		574,943
Community planning and engineering	3,276,945		4,053
Transportation and parking			1,727,240
Parks and recreation	1,813,559		224,415
Debt service		20,326,066	
Bond issue costs			
Capital outlay	106,753		7,975,206
Total expenditures	37,574,524	20,327,399	11,716,984
Excess (deficiency) of revenues over (under) expenditures	4,721,038	(1,910,633)	1,912,358
Other financing sources (uses):			
Issuance of debt			
Transfers in			2,713,706
Transfers out	(6,591,463)		(75,000)
Total other financing sources (uses)	(6,591,463)		2,638,706
Net change in fund balances	(1,870,425)	(1,910,633)	4,551,064
Fund balances, beginning of year	21,205,055	7,481,652	4,286,286
Fund balances, end of year	\$ 19,334,630	\$ 5,571,019	\$ 8,837,350

The notes to the financial statements are an integral part of this statement.

Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
Sales Tax 2006A Construction	HMR Parks/Arts Center Project		
\$	\$	\$	\$
		2,792,133	49,629,988
		1,180,621	2,792,133
			2,867,510
		1,411,144	5,819,517
			1,411,144
			1,319,832
		7,531,060	16,207,308
19,772		1,959,297	4,022,754
		265,589	1,697,665
2,410	126	131,662	307,817
		10,185	9,735
		76,455	216,888
		91,279	3,511,112
<u>22,182</u>	<u>126</u>	<u>15,449,425</u>	<u>89,813,403</u>
		333	6,369,103
			3,811,665
		2,088,364	26,072,599
		663,405	3,944,403
		6,918,975	8,646,215
		1,825,169	3,863,143
		1,076,272	21,402,338
	137,531	82,272	219,803
<u>7,561,646</u>	<u>10,677</u>	<u>3,450,235</u>	<u>19,104,517</u>
<u>7,561,646</u>	<u>148,208</u>	<u>16,105,025</u>	<u>93,433,786</u>
<u>(7,539,464)</u>	<u>(148,082)</u>	<u>(655,600)</u>	<u>(3,620,383)</u>
	10,961,191	681,600	11,642,791
		4,424,556	7,138,262
		<u>(2,095,706)</u>	<u>(8,762,169)</u>
	<u>10,961,191</u>	<u>3,010,450</u>	<u>10,018,884</u>
<u>(7,539,464)</u>	<u>10,813,109</u>	<u>2,354,850</u>	<u>6,398,501</u>
<u>26,465,402</u>		<u>22,997,968</u>	<u>82,436,363</u>
<u>\$ 18,925,938</u>	<u>\$ 10,813,109</u>	<u>\$ 25,352,818</u>	<u>\$ 88,834,864</u>

City of Fayetteville, Arkansas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014

Net change in fund balances - total governmental funds	\$	6,398,501
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Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,778,023
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The net effect of various miscellaneous transactions involving capital assets, such as sales, donations, and transfers is to increase (decrease) net position.	8,799,799
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,916,492)
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The issuance of long-term debt such as bonds and capital leases provides current financial resources to the governmental funds, while the repayment consumes current financial resources. Neither transaction has any effect on net position. Governmental funds report the effect of premiums, discounts, and similar items when debt is issued: however these amounts are deferred and amortized in the statement of activities This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,945,034
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(228,691)
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Increase in expenses in the statement of activities for net pension obligation and other postemployment benefits.	(1,243,963)
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Internal service funds are used by management to charge the costs of the fleet (Shop Fund) to the individual funds. The net revenue of certain activities of the Shop Fund is reported with governmental activities.	861,531
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Change in net position of governmental activities	\$	<u>24,393,742</u>
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The notes to the financial statements are an integral part of this statement.

City of Fayetteville, Arkansas
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales tax	\$ 23,780,000	\$ 23,780,000	\$ 23,851,653	\$ 71,653
Property tax	1,784,000	1,784,000	1,686,883	(97,117)
Franchise tax	5,460,000	5,460,000	5,819,517	359,517
Licenses and permits	907,000	907,000	1,319,832	412,832
Intergovernmental	2,275,000	3,345,956	2,796,543	(549,413)
Charges for services	1,435,100	1,704,006	1,655,949	(48,057)
Fines and forfeitures	1,589,600	1,616,269	1,432,076	(184,193)
Investment earnings	40,000	40,000	96,964	56,964
Net decrease in the fair value of investments			(164)	(164)
Contributions	45,700	146,149	135,432	(10,717)
Other	143,600	2,790,321	3,391,029	600,708
Total revenues	37,460,000	41,573,701	42,185,714	612,013
Expenditures				
General Government				
Mayor	272,401	276,517	260,068	16,449
City Council	127,100	127,100	116,880	10,220
City Attorney	306,294	309,072	294,764	14,308
City Prosecutor	580,385	595,337	588,043	7,294
District Judge	168,782	195,643	178,370	17,273
Chief of Staff	83,627	94,098	86,385	7,713
Communications	226,261	234,233	226,279	7,954
Cable Administration	252,741	262,378	252,128	10,250
Internal Audit	76,162	76,162	30,460	45,702
City Clerk	380,758	426,045	418,112	7,933
District Court Criminal	335,505	344,672	341,125	3,547
District Court Probations	22,465	23,246	21,690	1,556
District Court Small Claims	219,248	216,579	178,145	38,434
Library	1,696,198	1,695,760	1,694,765	995
Utilities Management	410,732	425,870	425,855	15
Miscellaneous	1,394,538	1,540,391	1,164,342	376,049
Cost allocation	(469,978)	(469,978)	(469,978)	
Total General Government	6,083,219	6,373,125	5,807,433	565,692
Finance and Internal Services				
Finance Director	156,232	161,965	161,413	552
Human Resources	360,077	375,228	370,189	5,039
Employee Development	594,800	625,067	583,446	41,621
Accounting and Audit	752,869	775,563	772,248	3,315
Budget and Research	280,432	289,409	281,508	7,901
General Maintenance	496,210	483,353	422,146	61,207
Janitorial	225,351	252,462	216,719	35,743
Purchasing	262,121	268,879	262,121	6,758
Information Technology	1,469,790	1,489,891	1,377,603	112,288
Cost allocation	(1,299,650)	(1,299,650)	(1,299,650)	
Total Finance and Internal Services	3,298,232	3,422,167	3,147,743	274,424
Public Safety				
Central Dispatch	1,353,737	1,448,739	1,341,664	107,075
Police Support Services	3,071,451	3,074,168	3,003,548	70,620
Police Projects		2,002,263	542,286	1,459,977
Police Patrol/Warrant	8,523,460	8,669,110	8,339,066	330,044
Fire Prevention	508,923	569,290	565,734	3,556
Fire Operations	8,829,619	9,333,684	9,296,295	37,389
Fire Training	231,295	270,837	261,715	9,122
Fire Hazmat	22,000	90,562	87,062	3,500
Cost allocation	(28,078)	(28,078)	(28,078)	
Total Public Safety	22,512,407	25,430,575	23,409,292	2,021,283

The notes to the financial statements are an integral part of this statement.

City of Fayetteville, Arkansas
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual cont'd
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Planning and Engineering				
Planning Development Manager	\$ 220,591	\$ 224,309	\$ 216,854	\$ 7,455
Engineering Design	193,817	206,242	196,710	9,532
Engineering Operations and Administration	571,941	577,234	526,443	50,791
Right of Way Acquisition	82,505	95,811	95,582	229
Public Construction	328,834	336,339	261,820	74,519
Current Planning	413,348	431,443	415,225	16,218
Long Range Planning	232,759	245,804	244,877	927
Planning Commission	44,253	44,253	43,035	1,218
Building Safety	524,728	534,818	477,470	57,348
Community Code Enforcement	409,652	420,630	393,807	26,823
Animal Patrol	353,328	365,528	362,446	3,082
Animal Shelter	375,003	377,160	357,396	19,764
Animal Services Projects		71,487	9,719	61,768
Veterinarian Management	198,066	202,308	181,857	20,451
Cost allocation	(506,296)	(506,296)	(506,296)	
Total Community Planning and Engineering	3,442,529	3,627,070	3,276,945	350,125
Parks and Recreation				
Swimming Pool	137,732	142,445	127,139	15,306
Administration/Recreation Programs	675,165	692,188	668,943	23,245
Yvonne Richardson Community Center	161,520	236,340	171,862	64,478
Lake Recreation	81,825	83,879	82,622	1,257
Park Maintenance	816,371	824,819	762,993	61,826
Total Parks and Recreation	1,872,613	1,979,671	1,813,559	166,112
Capital Outlay	18,000	113,972	98,522	15,450
Total General Fund expenditures	37,227,000	40,946,580	37,553,494	3,393,086
Excess (deficiency) of revenues over (under) expenditures	233,000	627,121	4,632,220	4,005,099
Other financing sources (uses)				
Transfers out	(233,000)	(6,668,564)	(6,591,463)	77,101
Total other financing sources (uses)	(233,000)	(6,668,564)	(6,591,463)	77,101
Net change in General Fund balances before Disaster Recovery and Replacement	0	(6,041,443)	(1,959,243)	4,082,200
Revenues Disaster Recovery and Replacement				
Intergovernmental		160,608	53,993	(106,615)
Charges for services	40,000	40,000	22,842	(17,158)
Investment earnings	17,000	17,000	30,092	13,092
Net decrease in the fair value of investments			2,206	2,206
Other			715	715
Total revenues	57,000	217,608	109,848	(107,760)
Expenditures Disaster Recovery and Replacement				
General Government	2,000	284,345	12,799	271,546
Total General Government	2,000	284,345	12,799	271,546
Capital Outlay	40,000	101,519	8,231	93,288
Total Disaster Recovery and Replacement expenditures	42,000	385,864	21,030	364,834
Excess (deficiency) of revenues over (under) expenditures	15,000	(168,256)	88,818	257,074
Net change in General Fund and Disaster Recovery and Replacement combined	15,000	(6,209,699)	(1,870,425)	4,339,274
General Fund balances, beginning of year	21,205,055	21,205,055	21,205,055	
General Fund balances, end of year	\$ 21,220,055	\$ 14,995,356	\$ 19,334,630	\$ 4,339,274

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City of Fayetteville, Arkansas
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Recycling and Trash Collection	Water and Sewer	Town Center
Assets and Deferred Outflows of Resources			
Current assets			
Cash	\$ 350	\$ 1,307,506	\$
Investments	8,354,823	33,500,906	
Restricted investments		1,505,549	
Accounts receivable	1,188,627	3,425,639	
Accrued interest	13,511	54,173	
Due from other funds	201,067	67,331	
Due from other governments	6,520	12,209	
Inventory	34,204	1,208,373	
Prepaid expenses and other assets	2,054	72,464	
Total current assets	9,801,156	41,154,150	
Noncurrent assets			
Restricted assets:			
Accrued interest		7	
Total restricted assets		7	
Capital assets			
Land	96,682	8,179,697	
Buildings	2,841,401	101,391,065	
Improvements other than buildings	1,560,000	326,877,063	
Machinery, equipment and vehicles	1,621,249	31,873,168	
Construction in progress	364,153	890,412	
Less accumulated depreciation	(3,209,730)	(159,145,040)	
Total capital assets, net	3,273,755	310,066,365	
Total noncurrent assets	3,273,755	310,066,372	
Total assets	13,074,911	351,220,522	
Deferred outflows of resources			
Gain on debt refunding		87,854	
Total deferred outflows of resources		87,854	
Total assets and deferred outflows of resources	13,074,911	351,308,376	
Liabilities and Deferred Inflows of Resources			
Current liabilities			
Accounts payable	36,831	967,734	
Accrued expenses	90,374	117,319	
Compensated absences	217,325	351,533	
Due to other funds	569,023	576,915	
Due to other governments		78,979	
Customer deposits		817,963	
Unearned revenue	54,578		
Accrued interest		87,650	
Bonds payable - current maturity		1,510,000	
Total current liabilities	968,131	4,508,093	
Noncurrent liabilities			
Compensated absences	295,128	343,936	
Bonds payable		7,418,151	
Total noncurrent liabilities	295,128	7,762,087	
Total liabilities and deferred inflows of resources	1,263,259	12,270,180	
NET POSITION			
Net investment in capital assets	3,273,755	301,226,068	
Restricted for debt service		1,406,950	
Unrestricted	8,537,897	36,405,178	
Total net position	\$ 11,811,652	\$ 339,038,196	\$

The notes to the financial statements are an integral part of this statement.

Airport Fund Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
\$ 200	\$ 1,308,056	\$ 8,240,186
498,720	42,354,449	
	1,505,549	
119,931	4,734,197	8,416
806	68,490	13,325
41,774	310,172	546,777
14,871	33,600	
64,227	1,306,804	245,319
13,793	88,311	93,381
<u>754,322</u>	<u>51,709,628</u>	<u>9,147,404</u>
	7	
	<u>7</u>	
3,750,133	12,026,512	16,256
16,871,240	121,103,706	870,602
17,037,435	345,474,498	
886,076	34,380,493	30,373,986
	1,254,565	32,059
(28,597,951)	(190,952,721)	(18,740,468)
<u>9,946,933</u>	<u>323,287,053</u>	<u>12,552,435</u>
<u>9,946,933</u>	<u>323,287,060</u>	<u>12,552,435</u>
<u>10,701,255</u>	<u>374,996,688</u>	<u>21,699,839</u>
	87,854	
	<u>87,854</u>	
<u>10,701,255</u>	<u>375,084,542</u>	<u>21,699,839</u>
21,257	1,025,822	16,919
15,145	222,838	26,464
22,507	591,365	82,648
184,046	1,329,984	
	78,979	
	817,963	
13,825	68,403	
	87,650	
	1,510,000	
<u>256,780</u>	<u>5,733,004</u>	<u>126,031</u>
28,702	667,766	102,229
	7,418,151	
<u>28,702</u>	<u>8,085,917</u>	<u>102,229</u>
<u>285,482</u>	<u>13,818,921</u>	<u>228,260</u>
9,946,933	314,446,756	12,552,435
	1,406,950	
<u>468,840</u>	<u>45,411,915</u>	<u>8,919,143</u>
<u>\$ 10,415,773</u>	<u>361,265,621</u>	<u>\$ 21,471,578</u>
Adjustment to reflect internal service fund activities related to enterprise funds net position	2,688,796	
	<u>\$ 363,954,417</u>	

City of Fayetteville, Arkansas
Proprietary Funds
Statement of Revenues, Expenses, and
Changes in Fund Net Position
For the Year Ended December 31, 2014

	Recycling and Trash Collection	Water and Sewer	Town Center
Operating revenues:			
Solid waste fees	\$ 9,862,792	\$	\$
Water services		15,657,408	
Sewer services		16,906,596	
Airport services			
Shop charges			
Other		1,294,215	
Total operating revenues	<u>9,862,792</u>	<u>33,858,219</u>	
Operating expenses:			
Personnel services	3,379,126	5,001,812	
Materials and supplies	740,872	1,284,332	
Contract services and charges	5,904,587	19,316,350	2,505
Maintenance	64,581	229,307	
Depreciation	505,283	10,509,192	306,466
Total operating expenses	<u>10,594,449</u>	<u>36,340,993</u>	<u>308,971</u>
Operating income (loss)	<u>(731,657)</u>	<u>(2,482,774)</u>	<u>(308,971)</u>
Nonoperating revenues (expenses):			
Taxes and franchise fees	209,389		
Interest expense and fees		(363,390)	(57,547)
Interest income	65,383	242,293	
Net increase (decrease) in fair value of investments	7,417	7,541	
Other revenues (expenses)	36,964	614,143	564,183
Total nonoperating income	<u>319,153</u>	<u>500,587</u>	<u>506,636</u>
Income (loss) before contributions and transfers	<u>(412,504)</u>	<u>(1,982,187)</u>	<u>197,665</u>
Capital donations		3,488,988	
Capital internal transfers			(3,803,159)
Operational grants	11,014		
Capital grants	24,487	474,761	
Transfers in		1,650,000	
Transfers out			(56,093)
Change in net position	<u>(377,003)</u>	<u>3,631,562</u>	<u>(3,661,587)</u>
Net position, beginning of year	<u>12,188,655</u>	<u>335,406,634</u>	<u>3,661,587</u>
Total net position, end of year	<u>\$ 11,811,652</u>	<u>\$ 339,038,196</u>	<u>\$</u>

The notes to the financial statements are an integral part of this statement.

Airport Fund Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
\$	\$ 9,862,792	\$
	15,657,408	
	16,906,596	
2,252,688	2,252,688	
		7,995,010
<u>93,540</u>	<u>1,387,755</u>	
<u>2,346,228</u>	<u>46,067,239</u>	<u>7,995,010</u>
499,027	8,879,965	1,057,510
1,276,883	3,302,087	2,343,666
360,691	25,584,133	822,447
75,169	369,057	37,877
<u>1,397,336</u>	<u>12,718,277</u>	<u>2,963,521</u>
<u>3,609,106</u>	<u>50,853,519</u>	<u>7,225,021</u>
<u>(1,262,878)</u>	<u>(4,786,280)</u>	<u>769,989</u>
22,639	232,028	
(5,126)	(426,063)	
3,186	310,862	56,493
(113)	14,845	2,672
<u>7,227</u>	<u>1,222,517</u>	<u>954,937</u>
<u>27,813</u>	<u>1,354,189</u>	<u>1,014,102</u>
(1,235,065)	(3,432,091)	1,784,091
	3,488,988	
	(3,803,159)	
	11,014	
28,140	527,388	
	1,650,000	30,000
	<u>(56,093)</u>	
(1,206,925)	(1,613,953)	1,814,091
<u>11,622,698</u>		<u>19,657,487</u>
<u>\$ 10,415,773</u>		<u>\$ 21,471,578</u>
Adjustment to reflect internal service fund activities related to enterprise funds	<u>952,560</u>	
Change in net position	<u>\$ (661,393)</u>	

City of Fayetteville, Arkansas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Recycling and Trash Collection	Water and Sewer	Town Center
Cash flows from operating activities:			
Cash received from customers	\$ 9,725,992	\$ 36,909,025	\$
Cash paid to suppliers	(6,889,130)	(20,667,727)	(2,505)
Cash paid to employees	(3,324,324)	(5,042,650)	
Net cash provided by (used for) operating activities	<u>(487,462)</u>	<u>11,198,648</u>	<u>(2,505)</u>
Cash flows from noncapital financing activities:			
Taxes/Franchise fees	209,389		
Operational grants	11,014		
Transfers in		1,650,000	
Transfers out			(56,093)
Cash transferred from component units			564,183
Net cash provided by (used for) noncapital financing activities	<u>220,403</u>	<u>1,650,000</u>	<u>508,090</u>
Cash flows from capital and related financing activities:			
Capital grants	24,487	474,761	
Bond premium (net issue cost)		468,472	
Payment of bonds		(1,915,000)	(625,000)
Interest paid on bonds/interfund loans		(361,959)	(48,011)
Acquisition and construction of capital assets	(363,863)	(4,847,718)	
Proceeds from sale of capital assets		55,934	
Net cash provided by (used for) capital and related financing activities	<u>(339,376)</u>	<u>(6,125,510)</u>	<u>(673,011)</u>
Cash flows from investing activities:			
Purchase of investment securities		(7,925,135)	
Proceeds from sale of investment securities	546,790	385,867	167,426
Interest and dividends on investments	59,645	210,474	
Net cash provided by (used for) investing activities	<u>606,435</u>	<u>(7,328,794)</u>	<u>167,426</u>
Net increase (decrease) in cash		(605,656)	
Cash, beginning of year	<u>350</u>	<u>1,913,162</u>	
Cash, end of year	<u>\$ 350</u>	<u>\$ 1,307,506</u>	<u>\$</u>
Reconciliation of operating income (loss) to cash flows from operating activities			
Operating income (loss)	(731,657)	(2,482,774)	(308,971)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	505,283	10,509,192	306,466
(Increase) decrease in customer accounts receivable	(105,675)	(9,645)	
(Increase) decrease in due from other funds	(63,484)	593,116	
(Increase) decrease in due from other governments	(4,605)	1,908,429	
(Increase) decrease in inventory	(17,289)	(143,054)	
(Increase) decrease in prepaid expenses	(531)	(210)	
Increase (decrease) in accounts payable	11,565	293,210	
Increase (decrease) in other accrued expenses	54,802	(40,838)	
Increase (decrease) in due to other funds	(190,119)	(4,467)	
Increase (decrease) in due to other governments		19,840	
Increase (decrease) in unearned revenue and deposits	17,284	(3,057)	
Other revenue	36,964	558,906	
Net cash provided by (used for) operating activities	<u>\$ (487,462)</u>	<u>\$ 11,198,648</u>	<u>\$ (2,505)</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets	\$	\$ 3,488,988	\$
Net increase/(decrease) in fair value of investments	7,417	7,541	

The notes to the financial statements are an integral part of this statement.

Airport Fund Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
\$ 2,506,519	\$ 49,141,536	\$ 8,036,225
(1,811,171)	(29,370,533)	(3,210,082)
(513,498)	(8,880,472)	(1,054,187)
<u>181,850</u>	<u>10,890,531</u>	<u>3,771,956</u>
22,638	232,027	
	1,650,000	30,000
	(56,093)	
	564,183	
<u>22,638</u>	<u>2,390,117</u>	<u>30,000</u>
28,140	527,388	
	(2,540,000)	
(5,126)	(415,096)	
(11,252)	(5,222,833)	(3,195,967)
2,087	58,021	921,827
<u>13,849</u>	<u>(7,592,520)</u>	<u>(2,274,140)</u>
(220,860)	(8,145,995)	(1,576,806)
	1,100,083	
2,623	272,742	48,990
<u>(218,237)</u>	<u>(6,773,170)</u>	<u>(1,527,816)</u>
100	(605,556)	
100	1,913,612	
<u>\$ 200</u>	<u>\$ 1,308,056</u>	<u>\$</u>
(1,262,878)	(4,786,280)	769,989
1,397,336	12,718,277	2,963,521
(33,944)	(149,264)	1,235
(34,893)	494,739	(13,147)
223,988	2,127,812	
9,123	(151,220)	27,534
847	106	1,887
(22,649)	282,126	(35,513)
(14,471)	(507)	3,323
(74,305)	(268,891)	
	19,840	
(11,444)	2,783	
<u>5,140</u>	<u>601,010</u>	<u>53,127</u>
<u>\$ 181,850</u>	<u>\$ 10,890,531</u>	<u>\$ 3,771,956</u>
\$	\$	\$
(113)		2,672

City of Fayetteville, Arkansas
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Pension Trust Funds
	<hr/>
Assets	
Cash	\$ 112,332
Investments, at fair value:	
Money Market	668,191
U. S. Government securities	1,420,368
Corporate bonds	1,782,561
Corporate stock	7,502,200
Receivables:	
Accrued interest	17,309
Due from primary government	13,074
Due from other government	<u>17,062</u>
Total assets	<u>11,533,097</u>
 Liabilities	
Due to primary government	5,469
Unearned revenue	<u>11,700</u>
Total liabilities	<u>17,169</u>
 Net Position	
Assets held in trust for pension benefits	<u>\$ 11,515,928</u>

City of Fayetteville, Arkansas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	Pension Trust Funds
Additions	
Contributions:	
City contributions	\$ 101,596
Property taxes contributed from police and fire pension revenue fund	1,051,240
State insurance taxes contributed from police and fire pension revenue fund	<u>510,143</u>
Total contributions	<u>1,662,979</u>
Investment earnings:	
Interest	304,385
Net decrease in fair value of investments	(254,012)
Gain on sale of investments	658,638
Other	<u>5,734</u>
Net investment earnings	<u>714,745</u>
Total additions	<u>2,377,724</u>
Deductions	
Contractual services	7,532
Benefit payments	<u>3,017,433</u>
Total deductions	<u>3,024,965</u>
Change in net position	(647,241)
Net position, beginning of year	<u>12,163,169</u>
Net position, end of year	<u><u>\$ 11,515,928</u></u>

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City of Fayetteville, Arkansas
Notes to the Financial Statements
December 31, 2014

1. Nature of Operations and Summary of Significant Accounting Policies

The City of Fayetteville, Arkansas (the "City") is a municipal corporation operating under the authority of Arkansas state statute. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. A description of the more significant accounting and financial reporting policies and practices of the City follows.

A. Reporting Entity

The City is a municipality governed by an elected mayor and an eight-member council. As required by accounting principles generally accepted in the United States (GAAP), these financial statements present the City (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Those entities in which the nature and significance of their relationship with the City is such that exclusion from the City's financial reporting entity would render the City's financial statements incomplete or misleading are included as part of the City's reporting entity.

Those commissions and boards which have been included within the City's financial statements are as follows:

Discretely presented component units

Advertising and Promotion Commission - The Commission is governed by seven members appointed by the City Council. City Aldermen serve as two of the seven members of the Commission. The City levies and collects taxes to fund the Commission. The Commission's purpose is to promote and develop tourism for the City of Fayetteville.

The Commission is discretely presented as a separate column in the City's government-wide financial statements. Financial statements of the Advertising and Promotion Commission can be obtained from the administrative offices located at 21 South Block, Fayetteville, Arkansas 72701.

Fayetteville Public Library (Library) - The Mayor of the City appoints all five members of the Library's Board of Trustees and the City controls a major portion of the Library's budget. The Library serves the residents of the City and Washington County. The Fayetteville Public Library Foundation (Foundation) provides fundraising for the Library and is governed by a board comprised of members appointed by the Board of Trustees of the Library. The Foundation is a blended component unit of the Library and is reported within the Library's general fund.

The Library is discretely presented as a separate column in the City's government-wide financial statements. Financial statements of the Fayetteville Public Library can be obtained from the administrative offices located at 401 W. Mountain, Fayetteville, Arkansas 72701.

B. Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements. The statements have been segregated into two categories, governmental activities and business-type activities of the City. Governmental activities are generally supported through taxes and intergovernmental revenues. Business-type activities are financed in whole or part by user fees and charges to external parties. The primary government is reported separately from

City of Fayetteville, Arkansas
Notes to the Financial Statements
December 31, 2014

component units of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by revenues generated by the program. Direct expenses are those that can be clearly associated with a specific function. Program revenues include 1) charges to customers or applicants who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operational or capital requirements of a particular function or program. The effect of interfund activity has been eliminated from the government-wide statements. However, interfund services provided and used are not eliminated in the consolidation process. Taxes and other items not identifiable with a program are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major governmental funds and major enterprise funds are reported in separate columns in the fund financial statements. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized as soon as they are both measurable and available. The City considers sales and use taxes available if they are collected within thirty days after year-end. All other revenues including property taxes are considered available if they are collected within sixty days after year-end. Major revenue sources susceptible to accrual are sales taxes, property taxes, franchise fees, intergovernmental revenue and interest earnings. Expenditures are recorded when a related fund liability is incurred with the exception of principal and interest on long-term debt, compensated absences and claims and judgments which are recorded when the payments are due.

The government reports the following major governmental funds:

General Fund - The General Fund is the principal operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Sales Tax Improvement Bond Fund - This debt service fund is used to account for the accumulation of resources for and the payment of principal and interest associated with the bond issues for wastewater improvements, streets and trails.

Sales Tax Capital Improvement Fund - This capital projects fund accounts for the City sales and use tax used to acquire, construct, and equip capital additions and improvements in the City's five-year capital improvement plan.

Sales Tax 2006A Construction Fund - This capital projects fund accounts for the bond proceeds for three separate projects. These projects include a sewer project for construction of a new wastewater treatment plant, for additional sewer lines, force mains, pumping stations and improvements to the existing treatment plant, a street project for the acquisition, construction and repair of certain City streets and a trails project for acquisition, construction and improvements to the City's trail system. HMR Parks/Arts Center Project - This capital projects fund accounts for the bond proceeds for the first phase of construction of a regional park in southwest Fayetteville and for renovations to the

City of Fayetteville, Arkansas
Notes to the Financial Statements
December 31, 2014

Walton Arts Center in the entertainment district of Fayetteville.

The government reports the following major enterprise funds:

Recycling and Trash Collection Fund – This fund accounts for the operation of the City's recycling program and trash collection system.

Water and Sewer Fund – This fund accounts for the operation and maintenance of the City's water and sewer system.

Town Center Fund – This fund accounted for the Town Center building and the associated special obligation debt. This fund was closed in 2014 and the cost of the land and depreciated cost of the building were transferred to governmental activities.

Additionally, the City reports the following fund types:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department to other departments of the City, on a cost reimbursement basis. The Shop Fund is the only internal service fund of the City and is responsible for the management of the City's fleet.

Pension Trust Funds – Pension trust funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. The City has two pension trust funds: the Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally generated resources are reported as general revenues. All taxes are included in general revenues. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or delivering goods in connection with a fund's ongoing operations. The primary source of operating revenues to the City's major enterprise funds is charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the costs of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets and Liabilities

Investments - Certificates of deposit and money market investments that mature within one year of the date of acquisition are recorded at amortized cost, which approximates fair value. All other investments are recorded at fair value with the resulting gains and losses recognized in the current period.

Receivables - Customer Accounts – In the proprietary funds an allowance has been made for doubtful accounts based on past experience in each fund. In the governmental funds, sales and use taxes that are not received within thirty days and other revenues not received within sixty days of year-end are considered deferred inflows of resources.

Due to/from Other Governments - Due from other governments consists primarily of November and December sales and use taxes, state turnback, cost sharing, and grant reimbursement requests receivable at year-end. Due to other governments consists primarily of grant subrecipient expense reimbursements, cost sharing, and fourth quarter parking revenue distributions.

City of Fayetteville, Arkansas
Notes to the Financial Statements
December 31, 2014

Inventories - Inventories in the governmental and proprietary funds are stated at cost. Inventory cost is determined by the weighted average cost method. The cost is recorded as an expenditure/expense upon consumption.

Prepays - Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid expenditures in governmental funds and prepaid expenses in proprietary funds.

Restricted Assets – Certain resources are classified as restricted on the statement of net position because their use is subject to external restrictions. The City's restricted net position was \$25,191,776 at December 31, 2014.

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are assets which individually cost \$5,000 or more and have a useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend their lives are not capitalized.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10-50
Improvements other than buildings	10-50
Machinery, equipment, and vehicles	3-10
Infrastructure	20-50

Property Taxes - The City levies property taxes applicable to the following year during the month of October. Property taxes assessed during the previous year are due and payable after February 1. Taxes are delinquent after the first week in October. Property taxes attach as a lien on property as of February 1. Delinquent property taxes as of December 31, 2014, were not significant.

The assessed value of taxable property upon which property taxes are levied is determined by the County Assessor. The Assessor estimates full market value of the property and applies a statutory rate of 20% to arrive at an assessed value. Washington County is the collecting agent for the levy and remits the collections to the City, net of a collection fee. Each unit of government receives its proportionate share of tax receipts from the County Assessor, based on its individual mill levy, in the month following the collection.

The amount of property taxes the City may levy for general government operations is subject to a statutory limitation of 5 mills established by the State of Arkansas. This operating tax levy limitation may not be increased except by amendment to the State Constitution. In 2014, the City Council approved a levy of 1.3 mills for general government operations. In addition, the City has .4 mills each for the Policemen's and Firemen's Pension Funds and 1 mill for the Fayetteville Public Library. The mills for the Library and the Pension funds are apart from the statutory limitation of 5 mills for operations.

Bond Issuance Costs, Premiums and Discounts and Refunding Gains and Losses –The government-wide financial statements and proprietary funds (fund financial statements) report long-term debt and other long-term obligations as liabilities in the statement of net position. Bond premiums and discounts, as well as prepaid bond insurance costs are amortized over the life of the related debt. Premiums and discounts are shown as a direct deduction or addition to the face amount of the debt. Other issuance costs are expensed in the current period. Gains and losses on debt refundings are classified as deferred

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inflows or deferred outflows of resources and are amortized to interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

In the governmental funds, bond premiums and discounts as well as bond issuance costs, are recorded in the current period. The face amount of the debt issued is reported as other financing sources. Premiums and discounts on debt are reported as other financing sources and uses. Issuance costs are reported as expenditures of the current period.

Rebatable Arbitrage - Rebatable arbitrage is treated as an expense when due.

Compensated Absences – City employees earn sick and vacation leave benefits based on length of service time. Employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City's employment. Sick and vacation leave is accrued when earned in the proprietary fund and government-wide financial statements. In the governmental funds the liability is recorded to the extent that they have matured at year-end.

Unearned Revenue – In the governmental and proprietary funds, unearned revenue represents a liability for resources obtained prior to revenue recognition.

Deferred Outflows/Inflows of Resources – The Statement of Net Position and the Balance Sheet will include a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an expense or expenditure until that time. Deferred inflows of resources represent an acquisition of resources that applies to a future period and will not be recognized as revenue until that time.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

E. Fund Balance – Governmental Funds

The fund balances for the City's governmental funds are displayed in five components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Committed fund balances may be used only for the specific purposes determined by resolution of the City Council. Commitments may be changed or lifted only by issuance of a resolution by the City Council.

Assigned – Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balances represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. The assigned fund balances are reflections of City Council decisions based on the passage of an ordinance or resolution or for purchase orders issued but not executed.

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Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in other classifications.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

F. Disaster Recovery and Minimum Fund Balance Policy

In 2002, the City Council committed by ordinance, \$3,000,000 in disaster recovery funds. The funds are not to be dispersed until and unless the City Council determines by Resolution that a disaster requiring use of these funds has occurred. The funds are required to be restored to \$3,000,000 as soon as feasible after any disbursements of funds. These funds are shown as committed in the General Fund.

The City Council has also established a minimum reserve of sixty days of annual regular operating expenditures for the General Fund. The minimum reserves cannot be reduced without specific City Council Resolution. These funds are shown as unassigned in the General Fund. Additionally, the Council has required a minimum reserve of at least 10% of current year operating expenditures in the Street Fund. The City will use funds in the reserve only in times of emergency or fiscal and economic hardship. These funds are shown as restricted in the Street Fund.

G. Adoption of GASB Statements

Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, was effective for the City Beginning in fiscal year 2014. This Statement enhances note disclosures and required supplementary information for the Policemen's and Firemen's Pension and Relief Funds which are administered by the City. These funds are shown as fiduciary funds in the City's financial statements.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is effective for the City beginning in fiscal year 2014, and should be applied on a prospective basis. This Statement established accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This pronouncement had no impact on the current financial statements.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is effective for the City beginning in fiscal year 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This pronouncement had no impact on the current financial statements.

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2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance in total governmental funds and net position in governmental activities as reported in the government-wide statement of net position. A major element of the reconciliation explains the long-term liabilities including bonds payable are not due and payable in the current period and are therefore not reported in the governmental fund statements. The difference of \$139,960,373 is detailed as follows:

Bonds and installment notes payable	\$ 104,945,000
Bond premium to be amortized over the life of the bonds	1,371,444
Accrued interest payable	3,334,933
Net pension obligation	21,157,726
Other post employment benefits	2,316,865
Compensated absences	<u>6,834,405</u>
Net adjustment to reduce fund balance in governmental fund statement to statement of net position governmental activities	<u>\$ 139,960,373</u>

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances in total governmental funds and changes in net position of governmental activities as shown in the government-wide statement of activities. A major element of the reconciliation explains that governmental funds report capital outlays as expenditures. In the statement of activities the costs of capital assets are allocated over the estimated useful life and reported as depreciation expense. The difference of \$6,778,023 is shown below:

Capital outlays	\$ 19,104,517
Depreciation expense	<u>(12,326,494)</u>
Net adjustment to increase net changes of total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 6,778,023</u>

Another element of that reconciliation states that "The issuance of long-term debt such as bonds and capital leases provides current financial resources to governmental funds, while the repayment consumes current financial resources. Neither transaction has any effect on net position. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued; however, these amounts are amortized in the statement of activities." The details of this 4,945,034 difference are as follows:

Amortization of prepaid insurance costs, premiums and discounts	\$ 98,857
Payment of debt principal	17,423,055
Debt issued, including premium	(12,292,791)
Accrued interest expense	<u>(284,087)</u>
Net adjustments to decrease net changes of total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,945,034</u>

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3. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

The City is required by State statute to prepare and submit an annual budget to the City Council on or before December 1 of each year for the period January 1 to December 31 of the forthcoming year. Prior to February 1 of each year, the budget must be legally adopted through passage of a City resolution by the City Council.

Budgets are prepared for the General fund, special revenue funds, debt service funds and capital project funds. These budgets are prepared on the modified accrual basis for revenues and expenditures. Budgets are also prepared for enterprise funds based on an accrual basis of accounting, with the exception of depreciation.

Appropriation for budgeted funds cannot exceed the estimated revenues and existing fund balances and it is unlawful for the City to create or authorize creation of a deficit fund balance or net position in any fund. Budgetary control is maintained at the program (operating unit within a division, e.g. administration, maintenance, construction, etc. within the Street Division) level. The Finance Director is authorized to make budget adjustments within a division of a fund, between departments for personnel services within a fund, and adjustments within categories within an approved project in a fund. However, budget amendments (which increase the budget total of a given fund) must be approved by the City Council, with the exception of powers specifically delegated to a Bond Trustee in a Bond Trust agreement for administration of a bond issue.

For control purposes, an encumbrance accounting system is employed. Under this system, purchase orders, contracts, and other commitments for expenditures of funds are recorded as encumbrances in order to reserve a portion of the applicable appropriation. At the end of the year, encumbrances for which goods and/or services have not been received are reviewed and rebudgeted or canceled. Encumbrances in major funds which lapsed at December 31, 2014, and were reinstated as of January 1, 2015 totaled \$252,125 for the General Fund, \$2,120,834 for the Sales Tax Capital Improvement Fund, \$3,420,731 for the Sales Tax 2006A Construction Fund and \$857,055 for the HMR Parks/Arts Center Project Fund. Encumbrances which lapsed and were reinstated for minor funds totaled \$9,834,752.

Since all unexpended appropriations lapse at the end of the fiscal year, it is the City's policy to rebudget purchase commitments, uncommitted projects and unspent capital project budget amounts rather than include them in the original budget. Therefore, amended budgets are traditionally large in comparison to the original budget for the capital projects funds.

4. Detailed Notes on All Funds

A. Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of State law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas. Collateral for deposits is held by an agent in the City's name. At December 31, 2014, none of the City's bank balances were exposed to custodial credit risk.

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The Advertising and Promotion Commission and the Fayetteville Public Library are component units of the City. At December 31, 2014, none of the component units bank balances were exposed to custodial credit risk.

Investments

The City's investment policies are to comply with the provisions of State statutes. Permissible investments include direct obligations of the U.S. Government, obligations of agencies of the U.S. Government, collateralized certificates of deposit, obligations issued by the Arkansas State Board of Education, prerefunded municipal bonds, certificates of deposits with banks authorized by State law to receive deposits of public funds, repurchase agreements, money market funds and corporate debt obligations. The Policemen Pension and Relief Fund assets held in trust may also invest in corporate equity securities. The Firemen Pension and Relief Fund reached a portfolio level in 2012 where they are no longer permitted by State statutes to invest in equities. The fund can hold the equities currently in the portfolio.

At December 31, 2014, the City had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Treasury obligations	\$ 1,146,164	\$ -	\$ 1,146,164	\$ -	\$ -
U.S. agencies obligations	83,286,690	211,468	83,075,222	-	-
Corporate bonds	2,538,118	1,194,100	1,129,619	148,386	66,013
Cash and cash equivalents	54,174,926	54,174,926	-	-	-
		\$ 55,580,494	\$ 85,351,005	\$ 148,386	\$ 66,013
Corporate stocks	7,502,200				
	\$ 148,648,098				

Interest Rate Risk – As a means of limiting its exposure to fair value losses from rising interest rates, the City's investment policy is to attempt to match investment maturities with cash flow requirements. Money market mutual funds are used to meet the short term cash flow needs of the City. Other investments are allowed within a range of maturities of ninety days to five years and over. Some of the City's investments have maturities over five years to maximize interest earnings.

The pension trust investment policies address interest rate risk by managing asset allocation. The Policemen's Pension and Relief Fund allows for 0% to 25% in cash and cash equivalents, 25% to 65% maximum in fixed income, 35% to 50% maximum in equities and 0% to 10% in other investments. The Firemen's Pension and Relief Fund allows 5% to 25% in cash and cash equivalents, 15% to 75% in fixed income, 25% to 50% in equities, and 0% to 10% in other

City of Fayetteville, Arkansas
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investments. The Firemen's Pension Fund has reached a level where State Statute prohibits future investment in stocks. The fund can continue to hold the stocks currently in the portfolio.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to invest no more than 20% in corporate debt and securities of a management type investment company or investment trust. The corporate bonds must be rated as Single A minus or better by both Moody's Investor Service and Standard and Poor's at the time of purchase. Investment in commercial paper will be rated A-1/P-1. Investment in management type investment companies or investment trusts is limited to companies with portfolios who are limited to U.S. Government obligations and repurchase agreements with approved collateralization. The City's investments in corporate bonds ranged between A and BBB and the government agencies were ranked AA+ by Standard & Poor's at December 31, 2014. The City held \$755,556 in corporate bonds at year end and all the bonds were rated A.

The pension trust corporate bonds at year-end had an S & P ranking between AA and BBB. The pension funds held \$1,782,562 in bonds at year-end with \$148,386 rated AA, \$66,012 rated AA-, \$249,021 rated BBB+ and \$1,319,143 rated BBB.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. While the City's investment policy doesn't directly address custodial credit risk, all investments held by the City or by an agent of the City in the City's name are insured or collateralized or limited to U.S. Treasury Money Market Funds. The majority of the City's funds are invested by an asset manager and are held by Pershing, LLC in the City's name. All funds held by Pershing, LLC are insured. In addition, the City's investment policy requires that security broker/dealers will meet or exceed the capital adequacy standards set by the Federal Reserve Bank of New York.

Concentration of Credit Risk – The City's investment policy limits investment in any one issuer to 5% of the cost basis of the City's portfolio and limits concentration in any one business sector to 15% of the cost basis of the City's portfolio excluding U.S. Government obligations and collateralized certificates of deposits. The City had no concentration of credit risk as of December 31, 2014.

The Policemen's and Firemen's Pension and Relief Fund's investment policies don't limit concentration in issuers or business sectors. The Policemen's fund had concentration of over 5% in Ishares IBOXX \$ Investment Grade Corporate Bond Fund and Financial Select Sector SPDR Fund. The Firemen's fund had concentration of over 5% in Ishares IBOXX \$ Investment Grade Corporate Bond Fund.

Foreign Currency Risk – This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The City's investment policy doesn't directly address foreign currency risk. The City's investment manager only buys U.S. dollar pay securities. The City had no investments that were denominated in foreign currency at December 31, 2014.

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B. Capital Assets

Primary Government

Capital asset activity in the governmental activities for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases and Transfers in</u>	<u>Decreases and Transfers out</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not depreciated:				
Land	\$ 48,995,883	\$ 3,956,808	\$ (397,919)	\$ 52,554,772
Construction in progress	<u>675,803</u>	<u>2,153,538</u>	<u>-</u>	<u>2,829,341</u>
Total	<u>49,671,686</u>	<u>6,110,346</u>	<u>(397,919)</u>	<u>55,384,113</u>
Capital assets, being depreciated:				
Buildings	27,983,149	9,239,844	-	37,222,993
Improvements other than buildings	16,964,229	592,809	-	17,557,038
Machinery, equipment, and vehicles	53,476,092	3,572,015	(3,855,455)	53,192,652
Infrastructure	<u>229,709,520</u>	<u>16,890,236</u>	<u>-</u>	<u>246,599,756</u>
Total	<u>328,132,990</u>	<u>30,294,904</u>	<u>(3,855,455)</u>	<u>354,572,439</u>
Less accumulated depreciation for:				
Buildings	(16,244,336)	(5,973,542)	-	(22,217,878)
Improvements other than buildings	(13,647,352)	(720,171)	-	(14,367,523)
Machinery, equipment, and vehicles	(33,033,057)	(4,504,819)	3,820,384	(33,717,492)
Infrastructure	<u>(104,204,268)</u>	<u>(8,994,948)</u>	<u>-</u>	<u>(113,199,216)</u>
Total	<u>(167,129,013)</u>	<u>(20,193,480)</u>	<u>3,820,384</u>	<u>(183,502,109)</u>
Total depreciable assets, net	<u>161,003,977</u>	<u>10,101,424</u>	<u>(35,071)</u>	<u>171,070,330</u>
Governmental capital assets, net	<u>\$ 210,675,663</u>	<u>\$ 16,211,770</u>	<u>\$ (432,990)</u>	<u>\$ 226,454,443</u>

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Capital asset activity in the business-type activities for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases and transfers	Decrease and transfers	Ending Balance
Business-type activities				
Capital assets not depreciated:				
Land	\$ 12,178,367	\$ -	\$ (151,855)	\$ 12,026,512
Construction in progress	<u>109,000</u>	<u>1,145,565</u>	<u>-</u>	<u>1,254,565</u>
Total	<u>12,287,367</u>	<u>1,145,565</u>	<u>(151,855)</u>	<u>13,281,077</u>
Capital assets, being depreciated:				
Buildings	130,277,688	20,013	(9,193,995)	121,103,706
Improvements other than buildings	338,426,648	7,201,990	(154,140)	345,474,498
Machinery, equipment, and vehicles	<u>34,087,137</u>	<u>344,254</u>	<u>(50,898)</u>	<u>34,380,493</u>
Total	<u>502,791,473</u>	<u>7,566,257</u>	<u>(9,399,033)</u>	<u>500,958,697</u>
Less accumulated depreciation for:				
Buildings	(47,633,004)	(4,148,437)	4,903,463	(46,877,978)
Improvements other than buildings	(109,660,047)	(6,751,870)	154,140	(116,257,777)
Machinery, equipment, and vehicles	<u>(26,049,894)</u>	<u>(1,817,970)</u>	<u>50,898</u>	<u>(27,816,966)</u>
Total	<u>(183,342,945)</u>	<u>(12,718,277)</u>	<u>5,108,501</u>	<u>(190,952,721)</u>
Total depreciable capital assets	<u>319,448,528</u>	<u>(5,152,020)</u>	<u>(4,290,532)</u>	<u>310,005,976</u>
Business-type capital assets, net	<u>\$ 331,735,895</u>	<u>\$ (4,006,455)</u>	<u>\$ (4,442,387)</u>	<u>\$ 323,287,053</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General Government	\$ 5,652,991
Finance and Internal Services	338,551
Public Safety	1,273,529
Community Planning and Engineering	20,980
Transportation and Parking	9,295,757
Parks and Recreation	648,151
Capital assets held by the governments internal service fund charged to various functions	<u>2,963,521</u>
Total Depreciation expense – governmental activities	<u>\$ 20,193,480</u>

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Business-type activities

Airport	\$ 1,397,336
Town Center	306,466
Recycling and Trash Collection	505,283
Water and Sewer	<u>10,509,193</u>
Total depreciation expense - business type activities	<u>\$ 12,718,278</u>

Activity for the component units for the year ended December 31, 2014, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated:				
Land	\$ 198,621	\$ -	\$ -	\$ 198,621
Art work	150,000	-	-	150,000
Construction in progress	<u>25,000</u>	<u>14,218</u>	<u>(30,000)</u>	<u>9,218</u>
Total	<u>373,621</u>	<u>14,218</u>	<u>(30,000)</u>	<u>357,839</u>
Capital assets, being depreciated:				
Buildings and improvements	22,440,286	50,667	-	22,490,953
Machinery, equipment and vehicles	<u>4,485,209</u>	<u>622,415</u>	<u>(7,153)</u>	<u>5,100,471</u>
Total	<u>26,925,495</u>	<u>673,082</u>	<u>(7,153)</u>	<u>27,591,424</u>
Less accumulated depreciation	<u>(6,949,723)</u>	<u>(1,018,772)</u>	<u>7,153</u>	<u>(7,961,342)</u>
Total depreciable capital assets, net	<u>19,975,772</u>	<u>(345,690)</u>	<u>-</u>	<u>19,630,082</u>
Component unit capital assets, net	<u>\$ 20,349,393</u>	<u>\$ (331,472)</u>	<u>\$ (30,000)</u>	<u>\$ 19,987,921</u>

City of Fayetteville, Arkansas
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C. Construction Commitments

Outstanding commitments at December 31, 2014 under authorized contracts for capital projects of governmental and proprietary funds are presented in the following table:

	<u>Expenditures Incurred to December 31, 2014</u>	<u>Remaining Commitments at December 31, 2014</u>
Primary Government		
Governmental activities		
Parks Development		
Park improvements	\$ 555,571	\$ -
Capital Projects		
Parking deck construction	945,914	9,739,026
Streets	3,653,611	2,589,002
Trails	1,301,504	303,991
Stream restoration and drainage	4,500	164,524
Other capital construction	<u>55,214</u>	<u>-</u>
Total commitments for governmental activities	<u>\$ 6,516,314</u>	<u>\$ 12,796,543</u>
Business-type activities		
Water and sewer		
Water and sewer line repair/replacement	\$ 2,388,891	\$ 2,456,495
Airport		
Construction	<u>800</u>	<u>-</u>
Total commitments for business-type activities	<u>\$ 2,389,691</u>	<u>\$ 2,456,495</u>

Parks development projects are funded with City's hotel, motel, and restaurant taxes. The parking deck construction project is funded through a bond issue secured by parking revenues. A 1% sales and use tax approved by voters for streets and trails capital projects is being used to fund the streets and trails projects. Water and sewer line repairs and replacements are being funded with revenues from the water and sewer fund, state grants and revenue bonds. The airport projects are funded primarily with state and federal grants. Other capital projects are funded with the City's 1% sales and use tax. In management's opinion, the funding sources identified above are adequate to meet all estimated future commitments.

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D. Interfund Receivables, Payables, Transfers

Transfers are used to move revenues from the fund with collection authorization to debt service and pension funds and to move unrestricted revenues to finance various programs that the government must account for in other funds. Transfers recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds are as follows:

Fund	Transfers In	Transfers Out
General	\$ -	\$ (6,591,463)
Sales Tax Capital Imp	2,713,706	(75,000)
Nonmajor Governmental Funds	<u>4,424,556</u>	<u>(2,095,706)</u>
Total	<u>\$ 7,138,262</u>	<u>\$ (8,762,169)</u>

Transfers recorded in the Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds are as follows:

Fund	Transfers In	Transfers Out
Water and Sewer Fund	\$ 1,650,000	\$
Town Center Fund		(56,093)
Internal Service	<u>30,000</u>	<u>-</u>
Total	<u>\$ 1,680,000</u>	<u>\$ (56,093)</u>

A reconciliation of transfers of governmental - type funds and business - type funds follows:

	Governmental – type Funds	Business - type Funds	Total
Transfers in	\$ 7,138,262	\$ 1,680,000	\$ 8,818,262
Transfers out	(8,762,169)	(56,093)	(8,818,262)

Transfers between funds totaled \$8,818,262. Major transfers included a transfer from the General Fund to the Parking Deck Construction Project of \$3,660,758 and to the Sales Tax Capital Fund for the purchase of park land in the amount of \$1,600,000 and \$1,113,706 from the sale of land. The Impact Fee Fund transferred to Water and Sewer Fund \$1,650,000 for capital projects. General Fund transferred \$198,999 to Drug Enforcement Grant Fund for the City's cost share for the program. Other transfers of \$355,241 were for debt service payments. There was a capital transfer of the Town Center, land and building, with a depreciated value of \$4,441,689 and associated debt of \$650,000 from the Town Center Fund to the Governmental Funds.

Interfund receivables and payables result from transactions between various funds within the City. Outstanding balances are mainly a result of clearing of liabilities from pooled investments, time lag between the dates interfund goods and services are provided and reimbursed, and when transactions are recorded in the accounting system. The Airport Fund has an interfund loan of \$172,112 and the Parking Fund has an interfund loan of \$97,423 included in the interfund balance at year end. The Special Grants

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Fund had a \$30,000 short term advance from the General Fund included also.

The interfund balances by fund at December 31, 2014 are shown below.

<u>Due to/from other funds:</u>	<u>Receivables</u>	<u>Payables</u>
General Fund:	\$ 1,180,348	\$ 203,173
Special revenue funds:		
Street	151,624	217,200
Parking	583	128,418
Community Development	550	773
Drug Law Enforcement	-	4,269
Parks Development	14,543	28,326
Special Grants	-	30,000
Impact Fee	17,523	-
Capital projects fund:		
Sales Tax Capital Improvements	-	258,813
Sales Tax 2006A Construction	-	19,221
Parking Deck Project	-	1,943
Enterprise funds:		
Airport	41,774	184,046
Recycling and Trash Collection	201,067	569,023
Water and Sewer	67,331	576,915
Internal service fund:		
Shop	<u>546,777</u>	<u>-</u>
Total	<u>\$ 2,222,120</u>	<u>\$ 2,222,120</u>

Due to/from primary government/component units:

Primary government		
General Fund	\$ 4,731	\$ 11,153
Component units		
Advertising & Promotion	<u>11,153</u>	<u>4,731</u>
Total	<u>\$ 15,884</u>	<u>\$ 15,884</u>

E. Leasing Activities

Operating Leases – Primary Government

The following lease arrangements as of December 31, 2014, were executed by the City for the lease of specific capital assets. The leases are accounted for as operating leases and are described as follows:

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Off street parking leases:

Southwind Hospitality leases 89 spaces on the first level and 89 spaces on the second level of the Fayetteville Municipal Parking Deck. The monthly lease fee for the parking spaces is \$8,900. The lease expires on September 30, 2018.

The cost of the leased assets capitalized on the December 31, 2014 Statement of Net Position in the governmental activities is as follows:

Buildings	\$1,033,480
Land	404,135
Accumulated depreciation	(972,298)
Total	<u>\$ 465,317</u>

Fayetteville Executive Airport leases portions of capital facilities to individuals and businesses. The leases consist primarily of buildings, grounds, hangars and storage facilities. All leases are operating leases with various terms and are cancelable. The cost of property leased or held for leasing and the amount of accumulated depreciation, as of December 31, 2014, are reported on the Statement of Net Position in the business-type activities column as follows:

Buildings	\$11,842,265
Accumulated depreciation	(9,672,865)
Total	<u>\$ 2,169,400</u>

F. Long-term Debt

AMENDMENT 78 BONDS AND NOTES PAYABLE – In 2001, the State of Arkansas passed Amendment No. 78 allowing cities to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. The agreements are not to exceed five years. The City is limited in the amount of short-term financing available in any given year to 5% of the assessed valuation of property within the City. The City's general obligation total debt limit for 2014 was \$335,708,644 with \$67,141,729 in short term debt limit. The City had no short-term debt outstanding at December 31, 2014.

GENERAL OBLIGATION BONDS - Issuance of long-term general obligation bonds by the City is governed by Arkansas Statutes. The Statutes require voter approval for issuance of general obligation bonds. General obligation bonds pledge the full faith and credit of the government. The City currently has no authorized but unissued general obligation bonds.

SALES AND USE TAX CAPITAL IMPROVEMENT BONDS – Issuance of sales and use tax capital improvement bonds is governed by Arkansas Statutes. The Statutes require voter approval for the issuance of the bonds. The bonds are special obligations of the City secured by and payable solely from receipts of the sales and use tax. The City currently has no authorized but unissued sales and use tax capital improvement bonds.

Below is a brief description of the outstanding long-term governmental activity debt.

City of Fayetteville Tax Increment Interest Accretion Bonds (Highway 71 East Square Redevelopment District No. 1 Project), Series 2005 for \$3,725,000 were issued in April, 2005. The bonds are special obligations of the City secured by and payable solely by a pledge of the incremental ad valorem tax receipts derived with respect to the real property within the City's Highway 71 East Square Redevelopment District No. 1. The bond proceeds were used for the acquisition of real property located

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within the district, the demolition of the majority of existing structures thereon and for site improvements for subsequent development. The land was subsequently sold to private developers for construction of a hotel, condominium, and parking facility on the site. The economic downturn impacted the development of the \$25,000,000 project and currently there is no planned project for the property.

The original 2005 millage dedicated to the project of 3.16 mills had increased to 6.3 mills by the end of 2014. The City received \$129,381 in property taxes in 2014 and \$65,000 of bonds were redeemed. The real property value of the District was \$26,450,722 in 2014. The total principal amount of outstanding bonds are due August 2029 unless redeemed earlier. The current balance of outstanding bonds is \$3,130,000 with an accreted value of \$5,791,621.

The City of Fayetteville issued Not to Exceed \$20,000,000 Sales and Use Tax Bond, Series 2006 through the Arkansas Natural Resources Commission bond program commonly referred to as the Revolving Loan Fund (RLF). The bonds were issued for financing a portion of the costs of improvements to the City's wastewater treatment plants, sewerage and related facilities. The 2006 bonds are special obligations of the City secured by and payable solely from receipts of the .75% city-wide sales and use tax approved by the voters to support the project. The bonds were retired in 2014.

The City issued \$50,000,000 Sales and Use Tax Capital Improvement Bonds, Series 2006A which are secured by a .25% city-wide sales and use tax approved by the voters in September 2006 and the .75% city-wide sales and use tax approved in 2002. The proceeds from the bond issue are dedicated to the existing wastewater project, for acquisition, construction, improvements and repair of certain City streets and for acquisition, construction and improvements to the City's trail system.

The City issued \$14,340,000 Sales and Use Tax Capital Improvement Bonds, Series 2007 which are secured by a .25% city-wide sales and use tax approved by the voters in September 2006 and the .75% sales and use tax approved by the voters in 2002. The proceeds from the bond issue are dedicated to the existing wastewater project.

The City issued \$11,250,000 Sales and Use Tax Capital Improvement Bonds Series 2009 which are secured by a .25% city-wide sales and use tax approved by the voters in September 2006 and the .75% sales and use tax approved by the voters in 2002. The proceeds from the bond issue are dedicated to acquisition, construction, improvements and repair of certain City streets and for acquisition, construction and improvements to the City's trail system.

In December 2012, the City issued Parking Revenue Improvement Bonds, Series 2012 in the amount of \$6,220,000. The bonds are special obligations of the City and are secured by net parking revenues. The proceeds from the bond issue are to be used for the acquisition, construction and equipping of a multi-level parking deck and related roadway and other improvements.

The City issued \$22,750,000 Sales and Use Tax Capital Improvement Bonds Series 2013 which are secured by a .25% city-wide sales and use tax approved by the voters in September 2006 and the .75% sales and use tax approved by the voters in 2002. The proceeds from the bond issue are dedicated to acquisition, construction, improvements and repair of certain City streets.

In November 2014, the City issued \$10,980,000 Hotel, Motel and Restaurant Gross Receipts Tax and Tourism Revenue Capital Improvement and Refunding Bonds, Series 2014. The bonds were approved by the voters in 2013 for the purpose of (1) paying the costs of redeeming the outstanding Hotel, Motel and Restaurant Bonds, Series 2003, in the amount of \$650,000 (2) paying for a portion of the expansion and renovation of the Walton Arts Center, and (3) paying a portion of acquiring, constructing and equipping a regional park within the City. The bonds are secured by the revenues derived from a 1% tax levied upon the gross receipts derived from renting, leasing or otherwise furnishing hotel or motel accommodations for profit within the City and the portion of gross receipts received by restaurants, cafes, cafeterias, delis,

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drive-in restaurants, carry-out restaurants, concession stands, convenience stores, grocery store restaurants and similar businesses from the sale of prepared food and beverages.

Annual debt service requirements to maturity for bonds and notes payable of governmental activities are as follows:

Fiscal Years	Amount	
	Principal	Interest
2015	8,980,000	4,127,584
2016	9,410,000	3,767,033
2017	9,895,000	3,384,597
2018	10,340,000	2,861,971
2019	10,785,000	2,411,297
2020-2024	40,730,000	6,769,114
2025-2029	6,515,000	13,708,728
2030-2034	4,075,000	1,311,776
2035-2039	<u>4,215,000</u>	<u>421,337</u>
Total	<u>\$104,945,000</u>	<u>\$ 38,763,437</u>

A summary of bonds and notes outstanding for governmental activities as of December 31, 2014 is as follows:

	Issue year	Outstanding		Principal Amount
		Due Dates	Interest Rates	
Tax Increment Interest Accretion Bonds	2005	2029	6.5%	\$ 3,130,000
Sales and Use Tax Capital Improvements Series A	2006	2011-2021	3.0%-5.0%	44,165,000
Sales and Use Tax Capital Improvements	2007	2011-2026	4.0%-5.0%	11,415,000
Sales and Use Tax Capital Improvements	2009	2011-2021	3.0%-4.0%	9,815,000
Parking Revenue Improvement	2012	2013-2037	1.25%-3.63%	6,040,000
Sales and Use Tax Capital	2013	2013-2024	2.0%-3.30%	19,400,000
Hotel, Motel and Restaurant Capital Improvement Bonds	2014	2014-2025	2.0%-3.0%	<u>10,980,000</u>
				<u>\$ 104,945,000</u>

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REVENUE BONDS - Revenue bonds outstanding consist of debt issued by enterprise funds of the City. These business-type bonds are not general obligations of the City or payable from proceeds of an ad valorem tax, but are payable from the net revenues of the respective enterprise funds. Below is a brief description of outstanding revenue bonds at December 31, 2014.

The Hotel and Restaurant Gross Receipts Tax Bonds, Series 2003 are secured by a lien on pledged revenues consisting of collections from a 1% gross receipts tax on hotels, motels, and restaurants; and revenues derived from the operation of the Town Center. The Series 2003 Bonds were issued for the purpose of refunding the Hotel and Restaurant Gross Receipts Tax Bonds, Series 1998. The 1998 bonds were issued to provide funds to construct and equip the Town Center, a multi-purpose civic center, and related parking facilities. The difference in the debt service between the refunded debt and the new debt was \$1,224,336. The economic gain on refunding the 1998 bonds was \$425,908. The 2003 bond was refunded in 2014. The refunded debt of \$650,000 was transferred to governmental activities, with \$580,000 of refunded debt and \$10,400,000 of new debt in the total issue of \$10,980,000. The difference of the refunded debt service and the new debt service was (\$303,842). The present value of the loss on the refunding was \$2,432.

Water and Sewer System Revenue Bonds, Series 2009, in the amount of \$8,210,000 were issued in August 2009. The bonds are secured by a pledge of the net revenue of the City's water and sewer system. The bond ordinance requires that the City maintain net revenues of the water and sewer system of at least an amount equal to (1) 125% of the average annual debt service on all indebtedness, (2) fund debt service reserves on all outstanding bonds and (3) fund required deposits for renewal and replacement. Proceeds from the bonds are dedicated to relocating, installing and upgrading certain water distribution and sewer collection lines in conjunction with road construction projects including the widening of State Highway 265. The 2009 bonds were refunded in 2014.

The \$3,665,000 Water and Sewer System Refunding Revenue Bonds, Series 2012, refunded the \$6,540,000 Water and Sewer System Refunding Revenue Bonds, Series 2002B and are secured by a pledge of the net revenues of the City's water and sewer system. The bond ordinance requires that the City maintain net revenues of the water and sewer system of at least an amount equal to (1) 125% of the average annual debt service on all indebtedness, (2) fund debt service reserve deficiencies on all series 1999 bonds and subordinate obligations, and (3) fund required deposits to the renewal and replacement fund. The refunding of the 2002B bond issue resulted in an economic gain of \$303,384 and defeased debt in the amount of \$4,085,000. The difference in the debt service between the refunded debt and the new debt was \$319,015.

The \$6,330,000 Water and Sewer System Refunding Revenue Bonds, Series 2014 refunded the \$8,210,000 Water and Sewer Revenue Bonds, Series 2009. The refunding bonds are secured by a pledge of the net revenues of the City's water and sewer system. The bond ordinance requires that the City maintain net revenues of the water and sewer system of at least an amount equal to (1) 125% of the average annual debt service on all indebtedness, (2) fund debt service reserve deficiencies with respect to all indebtedness of the City to which the water sewer system revenues are pledged, and (3) the amount needed to make required deposits to the renewal and replacement fund. The refunding of the 2009 bond issue resulted in an economic gain of \$299,621 and defeased debt in the amount of \$7,390,000. The difference in the debt service between the refunded debt and the new debt was \$346,527.

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Principal and interest payments of the revenue bonds of business-type activities for subsequent fiscal years are as follows:

Fiscal years:	Amount	
	Principal	Interest
2015	1,510,000	262,950
2016	1,535,000	232,750
2017	1,565,000	202,050
2018	1,665,000	162,450
2019	1,725,000	95,850
2020	<u>320,000</u>	<u>9,600</u>
Total	<u>\$ 8,320,000</u>	<u>\$ 965,650</u>

A summary of revenue bonds outstanding for business-type activities as of December 31, 2014 is as follows:

	Outstanding			Principal Amount
	Issue year	Due Dates	Interest Rates	
Water and Sewer	2012	2012-2017	2.0%	\$ 2,155,000
Water and Sewer	2014	2014-2020	2.0%-5.0%	6,165,000
				<u>\$ 8,320,000</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 110,738,055	11,630,000	\$ (17,423,055)	\$ 104,945,000	\$ 8,980,000
Add unamortized premiums(discounts)	846,136	651,321	(126,013)	1,371,444	-
Net pension obligation	20,176,870	980,856	-	21,157,726	-
OPEB obligation	2,053,758	263,107	-	2,316,865	-
Compensated absences	<u>7,265,852</u>	<u>7,488,667</u>	<u>(7,265,852)</u>	<u>7,488,667</u>	<u>2,898,963</u>
Governmental activities					
Long-term liabilities	<u>\$ 141,080,671</u>	<u>\$ 21,013,951</u>	<u>\$ (24,814,920)</u>	<u>\$ 137,279,702</u>	<u>\$ 11,878,963</u>

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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable	\$ 11,510,000	\$ 6,330,000	\$ (9,520,000)	\$ 8,320,000	\$ 1,510,000
Add unamortized premiums(discounts)	69,954	601,256	(63,059)	608,151	-
Compensated absences	<u>1,275,487</u>	<u>1,259,131</u>	<u>(1,275,487)</u>	<u>1,259,131</u>	<u>591,365</u>
Business-type activities					
Long-term liabilities	<u>\$ 12,855,441</u>	<u>\$ 8,190,387</u>	<u>\$ (10,858,546)</u>	<u>\$ 10,187,282</u>	<u>\$ 2,101,365</u>

The long-term liabilities of the City's internal service fund are included in the above totals for governmental activities. The pension obligation will be liquidated over time with property taxes, investment earnings and state turnback funds from the General Fund and Police and Fire Revenue Fund. Compensated absences are liquidated in the fund in which the expenditures/ expenses are accrued. Compensated absences were liquidated in the following governmental funds in 2014: General, Street, Parking, Community Development, Drug Law Enforcement, and Parks Development. The other post employment benefit (OPEB) obligation is funded on a pay-as-you-go basis in the funds where the expenditures/ expenses were accrued.

G. Applicability of Federal Arbitrage Regulations

Debt issuances of the City issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage regulations require that all earnings from the investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These rules carry strict penalties for noncompliance including taxability of interest retroactive to the date of issue. City management believes the City is in compliance with these rules and regulations. The City has no rebatable arbitrage accrued at December 31, 2014.

H. Conduit Debt Obligations

From time to time, the City has issued revenue bonds to finance residential housing, health care and related facilities to persons of low or moderate income or for the elderly. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the State nor any political subdivision thereof is obligated in any manner for the repayment of the bonds.

The City's current conduit debt consist of the Fayetteville Arkansas Public Facilities Board bonds in the amount of \$19,000,000 issued in 2010 and \$8,000,000 issued in 2013. The current outstanding balance of these bond issues is \$21,583,919.

5. Other Information

A. Retirement Plans

Each eligible employee is included in one of six defined benefit retirement plans, a defined contribution plan and/or a deferred compensation plan which the City of Fayetteville sponsors or has adopted. These are the Policemen's Pension and Relief Fund, the Firemen's Pension and Relief Fund, the Arkansas District Judges Retirement System, the Arkansas Public Retirement System, the Arkansas Local Police

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Retirement System, the Arkansas Local Fire Retirement System, the General Employee Retirement Savings Plan, and the General Employee Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan"). Two of the plans are included in the City's reporting entity. The Policemen's Pension and Relief Fund and the Firemen's Pension and Relief Fund are funded and administered through the Fayetteville Policemen's Relief Association and the Fayetteville Firemen's Relief Association. The other defined benefit plans and the General Employee Retirement Savings Plan and Deferred Compensation Plan are not administered by the City and are not included as a part of the City's reporting entity. The Arkansas Local Police and Fire Retirement Systems, the Arkansas Public Retirement System and the Arkansas District Judges Retirement System are administered by the State of Arkansas. The General Employee Retirement Savings Plan and the Deferred Compensation Plan assets are held in custody by a bank trustee.

Historical trend information for each of the Policemen's and Firemen's Pension and Relief Funds is included as required supplemental information after the notes to the basic financial statements. A summary of significant data for each of the retirement plans follows.

GENERAL EMPLOYEE RETIREMENT SAVINGS PLAN

Plan Description – The General Employee Retirement Savings Plan is a defined contribution plan qualified under section 401(a) of the Internal Revenue Code. The Bank of Oklahoma Financial Services administers the Plan for the City. The initial eligibility for participation in this Plan is the first day of the month following the employee's one-year anniversary of employment. Participation in the Plan is voluntary and available to all regular full-time general employees of the City who are at least 20 years of age and who worked at least 1,000 hours in the first 12 months of employment. The Plan requires participating employees to contribute at least 3% of their base wages to the Retirement Savings Plan or the Deferred Compensation Plan. The City contribution to the Retirement Savings Plan is 12% of base wages of contributors to either the Retirement Savings Plan or the Deferred Compensation Plan. There is 100% immediate vesting in amounts contributed by the City. The City of Fayetteville Employee Retirement Plan Administrative Committee has the authority to monitor and make changes to the investment portfolio of the plan and to perform other administrative duties. Any amendments to the plan provisions would require City Council approval.

For the year ended December 31, 2014, total covered payroll for the General Employee Retirement Savings Plan amounted to \$17,211,584. Contributions to the Employee Retirement Savings Plan were as follows:

Covered Payroll	Employer		Employee			
	Required and Contributed		Minimum Required		Actual Contributed	
	%	Amount	%	Amount	%	Amount
\$ 17,211,584	12%	\$ 2,065,391	3%	\$ 516,348	5.5%	\$ 948,198

DISTRICT JUDGES AND COURT CLERK RETIREMENT PLAN

Plan Description – In accordance with Act 1374 of 2003 and Act 177 of 2007 the district judge and the district court clerk retirement plans were moved to the Arkansas Public Retirement System (APERS). APERS is a cost-sharing multiple-employer public retirement systems. A financial report for the Plan may be obtained from the Arkansas Public Employees Retirement System, 124 West Capitol Ave., Little Rock, Arkansas, 72201.

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The City's required contribution rate for the district judge and the court clerk to APERS for 2014 was 14.88% through June and 14.76% from July through December 2014, and the employee's contribution rate was 5%. Total covered payroll for Plan participants in 2014 amounted to \$194,862.

**Three Year Trend Information for the Arkansas Public Retirement System
and Arkansas District Judge Retirement System**

Year ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 38,227	100%	\$0
12/31/13	\$ 30,175	100%	\$0
12/31/14	\$ 28,878	100%	\$0

POLICEMEN'S AND FIREMEN'S PENSION AND RELIEF FUNDS

Plan Description - The Policemen's Pension and Relief Fund (PPRF) and the Firemen's Pension and Relief Fund (FPRF) are single employer defined benefit pension plans for the police and fire personnel employed by the City prior to January 1, 1983. These Plans do not prepare separate financial statements. The Arkansas Fire and Police Pension Review Board oversees requests for benefit increases and review of the annual financial and actuarial reports. The Board is composed of nine members as follows: two fire fighters, two police officers and three persons appointed by the governor from a list submitted by the Arkansas Municipal League and one person who is not a current or former retirant and who is not a current or former member of the governing body of any political subdivision, to be appointed by the Governor.

In addition to the Arkansas Fire and Police Pension Review Board each fund has a Board of Trustees consisting of seven members. The members are comprised of the Chief Executive Officer of the City, the City Treasurer and five active or retired members of the pension fund who are elected by secret written ballot in May of each year. Both Plans became closed, by State law, to new employees effective January, 1983.

Minimum benefits are determined by State statute. Annual voluntary retirement benefits for police and fire equal 90% of the member's highest year's pay. Members are eligible for these benefits after 20 years of service. Employees retiring after January 1, 1987, are entitled to additional compensation of \$240 annually for each year worked in excess of 20 years, up to a maximum additional annual compensation of \$1,200. Benefits for participants over age 59 are increased by 1.25% of final salary for each year worked in excess of 25 years up to a maximum benefit of 100% of final salary.

The board of trustees has the ability to make ad hoc cost of living adjustments (COLA) and other benefit improvements through a process that requires actuarial soundness and approval by the Pension Review Board. Therefore, in the opinion of the actuary, any increases are not substantively automatic, and no COLA is included in the determination of the total pension liability.

City and Plan Reporting and Disclosures – The City's financial statements are currently following GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers* for accounting and reporting pension information for these plans. However, the plans have adopted GASB Statement 67, *Financial Reporting for Pension Plans* for the year ended December 31, 2014. Therefore the disclosures in this pension footnote has GASB 27 disclosures related to the City and GASB 67 disclosures related to the pension plans.

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Membership Information – As of December 31, 2014, there are 44 police and 52 fire retirees and beneficiaries receiving benefits. There are no active employees in the Plans.

Method Used to Value Investments - Investments are stated at fair value in the Combining Statement of Fiduciary Net Position. The fair value of marketable investments, including U.S. Government securities and corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at the statement date (fair value).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation in fair value of investments reflected in the Combining Statement of Changes in Fiduciary Net Position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. Net unrealized gains or losses on investments represent the change in the difference between the cost and market value of the investments at the beginning versus the end of the year.

Contributions – Contributions to the PPRF and FPRF are set forth in Arkansas statute. The City's contributions to the funds are partially funded by a .8 mill property tax levy which amounted to \$525,620 for each fund. In addition, the Plans are funded by a portion of a statewide 2 ½ % tax on insurance premiums of out-of-state insurance companies. On behalf payments from the State Insurance Commissioner of \$152,519 for the Policemen's Fund and \$231,281 for the Firemen's Fund were received by the City from the Arkansas Local Police and Fire Retirement System, a state agency. These funds were recognized as revenues and expenses for benefits in 2014.

In addition, Act 1452 of 1999 and Act 1373 of 2003 authorized the distribution of supplement funds to local police and fire plans. Distributions to the Policemen's and Firemen's Pension and Relief Funds for the year ended December 31, 2014 were \$69,780 and \$56,563 respectively. The PPRF also receives an allocation of 10% of all fines and forfeitures collected by the City for violations of ordinances or state laws.

The Plans require active members to contribute 6% of their eligible gross salary. The Plans have no active members employed and contributing.

Listed below are the City's projected annual pension cost and the net pension obligation for 2014.

	Police	Fire
Actuarially required contribution	\$ 2,872,624	\$ 3,188,219
Interest on net pension obligation	441,216	567,628
Adjustment to actuarially required contribution	(1,989,666)	(2,559,721)
Annual pension cost	1,324,173	1,196,125
Actual contribution made	(782,624)	(756,819)
Increase in net pension obligation	541,550	439,306
Net pension obligation, beginning of year	8,824,318	11,352,552
Net pension obligation, end of year	<u>\$ 9,365,868</u>	<u>\$ 11,791,858</u>

As of December 31, 2014, the most recent actuarial valuation date, the PPRF was 36.3% funded. The actuarial accrued liability for benefits was \$19,680,454 and the market value of assets was \$7,136,238 resulting in an unfunded accrued liability (UAL) of \$12,544,216. The actuarial value of the assets was \$6,596,365 at year end.

As of December 31, 2014, the most recent actuarial valuation date, the FPRF was 23.8% funded. The actuarial accrued liability for benefits was \$18,356,962, and the market value of assets was \$4,377,557 resulting in an unfunded accrued liability (UAL) of \$13,979,405. The actuarial value of the assets was \$4,048,620 at year end.

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The net pension obligations for both Plans have been recognized in the City's statement of net position on page 28 to comply with GASB standards. However, based on an interpretation of state law by the City's legal counsel, management of the City believes that if these Plans were to become insolvent, whereby remaining Plan assets were not adequate to pay current benefits, the City may not be legally obligated to fund any deficiency.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Net Pension Liability – The components of the net pension liability of the Policemen's Pension and Relief Fund were as follows.

Total pension liability	\$19,680,454
Plan net position	<u>(7,136,238)</u>
Net pension liability	\$12,544,216
Plan net position as a % of total pension liability	36.26%

The components of the net pension liability of the Firemen's Pension and Relief Fund were as follows.

Total pension liability	\$19,118,634
Plan net position	<u>(4,377,557)</u>
Net pension liability	\$14,741,077
Plan net position as a % of total pension liability	22.90%

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the Policemen's and Firemen's Pension and Relief Funds. Actuarial valuations for both funds are performed annually and the last valuation was December 31, 2014. Actuarial assumptions used in evaluating the funds include entry age cost method, level percent open amortization method, an amortization period of 5 years for active participants and 5 years for retirees and 5% investment rate of return. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at December 31, 2014, was thirty years.

Long-term Expected Return on Plan Assets - The Long-term Expected Rate of Return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all local police and fire pension funds, the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The

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target allocation and the long-term expected rates of return are shown in the table below.

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic Fixed Income	80%	5.0%
Domestic Equity	10%	7.8%
Cash	10%	2.0%
Total	100%	5.0%

Single Discount Rate – A single discount rate of 5.0% for the Policemen's Pension and Relief Fund was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net pension was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

A single discount rate of 4.4224% for the Firemen's Pension and Relief Fund was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was insufficient to make all projected future benefit payments of current members. Therefore, the single discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the total and net pension liability to changes in the single discount rate, the following presents the plan's liability calculated using a single discount rate as well as what the plan's liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

Policemen's Pension Fund	1% Decrease (4%)	Current Rate Assumed (5%)	1% Increase (6%)
Total pension liability	21,948,777	19,680,454	17,927,905
Net pension liability	14,812,539	12,544,216	10,791,667

Firemen's Pension Fund	1% Decrease (3.42)	Current Rate Assumed (4.42%)	1% Increase (5.42%)
Total pension liability	21,269,266	19,118,634	17,318,206
Net pension liability	16,891,709	14,741,077	12,940,649

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

Plan Description - City police and fire personnel employed after December 31, 1982, are covered by the Arkansas Local Police and Fire Retirement System. A financial report for the plan may be obtained from the Arkansas Local Police and Fire Retirement System, PO Drawer 34164, Little Rock, Arkansas, 72203 or from their website www.Lopfi-prb.com. Participation is a condition of employment. The Plan had been

City of Fayetteville, Arkansas
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an agent multiple-employer public employee retirement system but was changed to a cost-sharing multiple-employer plan in 2013, therefore actuarial studies for individual municipalities are not available for the years 2011 going forward. The plan is a defined benefit plan providing death, disability, and retirement benefits for its members. Normal retirement age under this plan is age 55 with 20 years of credited service or age 60 with 5 years of credited service. A member may retire at any age with 28 years or more of credited service.

Membership Information – The State of Arkansas is responsible for the coordination of the actuarial valuations performed on the Arkansas Local Police and Fire Retirement System (LOPFI). As of December 31, 2013, the most recent information available from the State, City of Fayetteville employee membership data related to the Plans was as follows:

	<u>Police</u>	<u>Fire</u>
Retirees and beneficiaries currently		
receiving benefits	<u>40</u>	<u>47</u>
Active plan participants:		
Fully vested	82	80
Nonvested	<u>35</u>	<u>27</u>
Total active plan participants	<u>117</u>	<u>107</u>

Employees terminating from the Plan before normal retirement age with at least 5, but less than 20 years of credited service, may receive future benefits provided the employee does not withdraw his/her accumulated contributions and lives to his/her annuity starting date.

Contributions – Contribution requirements are set forth in Arkansas statute. The Plan requires employees to contribute 8.5% of their eligible salary. Employer contributions are established by the Arkansas Local Police and Fire Retirement System, and are determined based on level-rate principles. The City's contribution rate during 2013 for the Police Plan was 18.84%. The required contribution rate for the Fire Plan was 24.74%.

Total contributions to the Pension Plans for the year ended December 31, 2014, were \$3,969,679 of which \$2,888,218 was contributed by the City and \$1,081,4461 was contributed by employees. On behalf payments from a state insurance tax of \$433,996 for Policemen and \$578,772 for Firemen were received by the City from the Arkansas Local Police and Fire Retirement System. These funds were recognized as revenues and expenses for salaries and benefits in 2014.

B. Other Post Employment Benefits

Plan Description - The City of Fayetteville sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal City official or employee vested in one of the City's retirement plans with 20 years of service and who attains 55 years of age or at any age after 28 years of service may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand alone financial statements of the Plan but, all required information is presented in this report.

Funding Policy – The contribution requirements of plan members are established by the City and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plan. The City is not required to make contributions to the Plan on behalf of the retirees and funds the Plan on a projected pay-as-you-go financing method. The

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Plan has 16 active participants who pay monthly premiums between \$154 for single coverage and \$665 for family coverage.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 338,107
Interest on net OPEB obligation	92,419
Prior year NOO amortization	<u>(126,083)</u>
Annual OPEB cost	304,443
Total annual employer contribution	<u>(41,336)</u>
Change in NOO	263,107
Net OPEB obligation (NOO), beginning of year	<u>2,053,758</u>
Net OPEB obligation (NOO), end of year	<u><u>\$ 2,316,865</u></u>

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period of the unfunded actuarial accrued liability (UAAL) is as follows:

Normal cost	\$ 130,020
Amortization of the UAAL for 30 years	<u>193,527</u>
Total normal cost and amortization payment	<u>323,547</u>
Adjustment for timing	<u>14,560</u>
Annual Required Contribution (ARC) end of year	<u><u>\$ 338,107</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 288,165	12.7%	\$ 1,708,999
12/31/2013	\$ 380,056	9.3%	\$ 2,053,758
12/31/2014	\$ 304,443	13.6%	\$ 2,316,865

Funding Status and Funding Progress – As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$3,294,195, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,294,195. The covered payroll (annual payroll of active employees covered by the Plan) was \$32,971,961, and the ratio of the UAAL to the covered payroll was 10.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to

City of Fayetteville, Arkansas
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continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return based on the City's rate of return on investments, a 3.7% annual salary increase projection, an inflation rate of 3% per year, and a healthcare cost trend rate of 7.5% for 2016 and then reduced by decrements to an ultimate rate of 5.0% after five years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2014, was thirty years.

C. Litigation

In the course of business, the City, its agencies, and its employees are defendants in legal proceedings including but not limited to claims against the City for property damage, personal injury, personnel and contract matters, and alleged violations of state and federal laws. It is the opinion of management that the disposition or resolution of such claims and lawsuits will not have a material adverse effect on the financial position, changes in the financial position or cash flows of the City.

D. Contingent Liabilities

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The City believes that any liability for reimbursement which may arise as a result of audits of grant funds would not be material. The City is subject to various administrative orders issued by the Environmental Protection Agency (EPA) in regards to the City's sanitary sewer system. A recent proposed order requires a reduction of phosphorous levels by 90% for all wastewater treatment plants which flow into the Illinois River, which includes the City's West Side Wastewater Treatment Facility. The Arkansas Department of Environmental Quality has questioned the proposed regulation. The requirements of any final order, if one is issued, and the costs of complying with any such order cannot be determined at this time.

The City has petitioned the Arkansas Pollution Control and Ecology Commission to change the local stream standards for the Noland Wastewater Treatment Plant which discharges into the White River. If the request is not approved the City might be required to complete a modification to the plant to comply with the permit standards that has been estimated to cost \$45,000,000. Management believes the petition will be approved with some modifications. Therefore, the costs of complying with the standards cannot be determined at this time.

E. Risk Management

The City's comprehensive risk management program is administered with the assistance of a professional risk management broker. The City is exposed to the risk of various losses such as theft of, damage to, and destruction of assets; errors and omissions; and personal injury; natural disasters and employee

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health and accidents. The City limits losses and manages risk through the purchase of insurance policies with several different carriers. In addition, the City instituted various safety programs to reduce losses. The budgeting process includes provisions for accumulating funds to cover deductibles and any minor items which would not be covered by commercially purchased policies. There have been no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage in the past three fiscal years.

F. New Accounting Pronouncements

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, which is effective for the City beginning in fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of the pension benefits earned to date.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is effective for the City beginning in fiscal year 2015. This statement amends Statement 68 to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68.

Statement No. 72, *Fair Value Measurement and Application*, which is effective for the City beginning in the fiscal year 2016. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

The City has not yet determined the impact of implementing the above new pronouncements.

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Required Supplemental Information
Schedule of Funding Progress - Single Employer Pension Plans

Actuarial Valuation Date	Market Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Policemen's Pension and Relief Fund						
12/31/2014	\$ 7,136,238	\$ 19,680,454	\$ 12,544,216	36.3%	\$ -	N/A
12/31/2013	7,538,314	20,278,614	12,740,300	37.2%	\$ -	N/A
12/31/2012	7,825,962	20,773,565	12,947,603	37.7%	-	N/A
12/31/2011	8,225,285	21,282,718	13,057,433	38.6%	-	N/A
12/31/2010	8,555,897	21,801,583	13,245,686	39.2%	-	N/A
12/31/2009**	8,360,804	22,485,442	14,124,638	37.2%	-	N/A
Firemen's Pension and Relief Fund						
12/31/2014	\$ 4,377,557	\$ 18,356,962	\$ 13,979,405	23.8%	\$ -	N/A
12/31/2013	4,624,857	18,764,842	14,139,985	24.6%	-	N/A
12/31/2012	4,682,930	19,673,887	14,990,957	23.8%	-	N/A
12/31/2011	5,015,419	20,159,623	15,144,204	24.9%	-	N/A
12/31/2010	5,573,909	20,511,098	14,937,189	27.2%	-	N/A
12/31/2009**	5,787,509	20,849,028	15,061,519	27.8%	-	N/A

Schedule of Employer Contributions

Year Ended December 31	Policemen's Pension and Relief Fund Employer Contributions		Firemen's Pension and Relief Fund Employer Contributions	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2014	\$ 1,324,173	59.2%	\$ 1,196,125	63.3%
2013	1,493,125	51.4%	1,524,307	47.1%
2012	1,675,110	46.5%	1,732,898	42.8%
2011	1,905,350	43.8%	1,911,024	33.0%
2010	2,368,658	36.2%	2,217,405	28.5%
2009	1,862,038	44.7%	1,728,715	35.3%

The following information applies to both plans:

*Beginning with 12/31/2007 valuation the assumptions were changed from a 6% to 7% discount rate and 83GAM mortality.

**Beginning with 12/31/2009 valuation the assumptions were changed from a 7% to 5% discount rate.

The required contribution was determined using the entry age normal cost method, using the level percent open amortization method with an amortization period of 5 years for active participants and retirees. The amortization period at December 31, 2012 was thirty years.

Other actuarial assumptions used in the evaluations included:

- (a) an assumed investment return of 5.0%,
- (b) pre- and post-retirement mortality rates based on the 1983 Group Annuity Table set back five years for females.

Required Supplementary Information
Schedule of Changes in the Firemen's Pension and Relief Fund
Net Pension Liability

Fiscal Year ending December 31,	2014	2013	2012	2011	2010	2009	2008
Total pension liability							
Service cost	0	0	0	0	0	0	0
Interest	904,284	948,987	972,465	989,738	1,006,595	840,137	878,110
Change of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	46,177	(469,723)	(37,542)	91,460	89,744	79,739	75,943
Assumption changes	761,664	0	0	0	0	3,845,153	0
Benefit payments	(1,358,341)	(1,388,309)	(1,420,659)	(1,432,673)	(1,434,269)	(1,437,460)	(1,989,586)
Net change in total pension liability	353,784	(909,045)	(485,736)	(351,475)	(337,930)	3,327,568	(1,035,533)
Total pension liability-beginning	18,764,842	19,673,887	20,159,623	20,511,098	20,849,028	17,521,460	18,556,993
Total pension liability-ending	19,118,626	18,764,842	19,673,887	20,159,623	20,511,098	20,849,028	17,521,460
Plan fiduciary net position							
Contributions-employee	0	0	0	0	0	0	1,356
Contributions-employer	525,903	527,441	511,967	498,415	509,165	485,735	590,441
Net Investment Income	588,688	806,249	579,820	379,363	718,363	919,799	(1,497,830)
Benefit payments	(1,358,341)	(1,388,309)	(1,420,659)	(1,432,673)	(1,434,269)	(1,437,460)	(1,989,586)
Administrative expense	(3,550)	(3,454)	(3,617)	(3,595)	(6,859)	(3,750)	(6,427)
Other	0	0	0	0	0	0	0
Net change in plan fiduciary net position	(247,300)	(58,073)	(332,489)	(558,490)	(213,600)	(35,676)	(2,902,046)
Plan fiduciary net position-beginning	4,624,857	4,682,930	5,015,419	5,573,909	5,787,509	5,823,185	8,725,231
Plan fiduciary net position-ending	4,377,557	4,624,857	4,682,930	5,015,419	5,573,909	5,787,509	5,823,185
Plan Fiduciary Net Position as a							
Percentage of Total Pension Liability	22.90%	24.65%	23.80%	24.88%	27.18%	27.76%	33.23%

Required Supplementary Information
Schedule of the Firemen's Pension and Relief Fund Net Pension Liability

	2014	2013	2012	2011	2010	2009	2008
Total pension liability	19,118,634	18,764,842	19,673,887	20,159,623	20,511,098	20,849,028	17,521,460
Plan fiduciary net position	4,377,557	4,624,857	4,682,930	5,015,419	5,573,909	5,787,509	5,823,185
Net pension liability	14,741,077	14,139,985	14,990,957	15,144,204	14,937,189	15,061,519	11,698,275

Plan net position as a percentage of the total pension liability

22.90% 24.65% 23.80% 24.88% 27.18% 27.76% 33.23%

Covered-employee payroll

0 0 0 0 0 0 0

Net pension liability as a percentage of covered employee payroll

NA NA NA NA NA NA NA

Notes to Schedule:

- 1983 GAM, 7% for 2008
- 1983 GAM, 5% for 2009-2013
- 1983 GAM, 4.42% for 2014

Required Supplementary Information
Schedule of the City of Fayetteville's Contributions for Firemen's Pension and Relief Fund

	2014	2013	2012
Actuarially determined contribution	3,188,219	3,380,092	3,414,645
Actual Contribution	756,819	747,511	741,091
Contribution deficiency (Excess)	<u>2,431,400</u>	<u>2,632,581</u>	<u>2,673,554</u>
Covered employee payroll	NA	NA	NA
Contributions as a percentage of covered-employee payroll	NA	NA	NA

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Notes to Schedule:

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Remaining amortization	5 years
Asset Valuation	Market Value
Investment rate of return	5%
Mortality	1983 Group Annuity Mortality

Required Supplementary Information
Schedule of Investment Returns for Firemen's Pension and Relief Fund

	2014	2013	2012	2011	2010	2009	2008
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Annual money-weighted rate of return, net of investment expense	8.27%	13.45%	7.51%	4.80%	11.06%	14.68%	-18.67%
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Notes to Schedule:

The amounts shown are net of investment expenses.

Required Supplementary Information
Schedule of Changes in the Policemen's Pension and Relief Fund
Net Pension Liability

Fiscal Year ending December 31,	2014	2013	2012	2011	2010	2009	2008
Total pension liability							
Service cost	0	0	0	0	0	0	0
Interest	975,582	1,000,294	1,025,359	1,050,954	1,084,700	910,044	894,409
Change of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	(39,796)	40,127	16,575	(4,832)	(185,659)	145,511	1,051,587
Changes of assumptions						4,043,270	
Benefit payments	(1,533,946)	(1,535,372)	(1,551,087)	(1,564,987)	(1,582,900)	(1,628,521)	(1,638,068)
Net change in total pension liability	(598,160)	(494,951)	(509,153)	(518,865)	(683,859)	3,470,304	307,928
Total pension liability-beginning	20,278,614	20,773,565	21,282,718	21,801,583	22,485,442	19,015,138	18,707,210
Total pension liability-ending	19,680,454	20,278,614	20,773,565	21,282,718	21,801,583	22,485,442	19,015,138
Plan fiduciary net position							
Contributions-employee	0	0	0	0	0	0	0
Contributions-employer	782,624	796,675	779,139	835,147	859,321	838,918	767,586
Net Investment Income	349,246	451,049	372,625	399,228	918,672	1,104,051	(1,902,951)
Benefit payments	(1,533,946)	(1,535,372)	(1,551,087)	(1,564,987)	(1,582,900)	(1,628,521)	(1,638,068)
Administrative expense	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Net change in plan fiduciary net position	(402,076)	(287,648)	(399,323)	(330,612)	195,093	314,448	(2,773,433)
Plan fiduciary net position-beginning	7,538,314	7,825,962	8,225,285	8,555,897	8,360,804	8,046,356	10,819,789
Plan fiduciary net position-ending	7,136,238	7,538,314	7,825,962	8,225,285	8,555,897	8,360,804	8,046,356
Plan Fiduciary Net Position as a							
Percentage of Total Pension Liability	36.26%	37.17%	37.67%	38.65%	39.24%	37.18%	42.32%

Required Supplementary Information
Schedule of the Policemen's Pension and Relief Fund Net Pension Liability

	2014	2013	2012	2011	2010	2009	2008
Total pension liability	19,680,454	20,278,614	20,773,565	21,282,718	21,801,583	22,485,442	19,015,138
Plan fiduciary net position	7,136,238	7,538,314	7,825,962	8,225,285	8,555,897	8,360,804	8,046,356
Net pension liability	12,544,216	12,740,300	12,947,603	13,057,433	13,245,686	14,124,638	10,968,782

Plan net position as a percentage of the total pension liability

36.26% 37.17% 37.67% 38.65% 39.24% 37.18% 42.32%

Covered-employee payroll

0 0 0 0 0 0 0

Net pension liability as a percentage of covered employee payroll

NA NA NA NA NA NA NA

Notes to Schedule:

1983 GAM, 7% for 2008

1983 GAM, 5% for 2009-2014

Required Supplementary Information
Schedule of the City of Fayetteville's Contributions for Policemen's Pension and Relief Fund

	2014	2013	2012
Actuarially determined contribution	2,872,624	2,919,366	2,944,130
Actual Contribution	782,624	796,675	779,139
Contribution deficiency (Excess)	2,090,000	2,122,691	2,164,991

Covered employee payroll	NA	NA	NA
Contributions as a percentage of covered-employee payroll	NA	NA	NA

Notes to Schedule:

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Remaining amortization	5 years
Asset Valuation	Market Value
Investment rate of return	5%
Mortality	1983 Group Annuity Mortality

Required Supplementary Information
Schedule of Investment Returns for Policemen's Pension and Relief Fund

	2014	2013	2012	2011	2010	2009	2008
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Annual money-weighted rate of return, net of investment expense	4.91%	6.07%	4.73%	4.89%	11.50%	14.43%	-18.29%
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Notes to Schedule:

The amounts shown are net of investment expenses.

**Required Supplemental Information
Other Postemployment Benefits Plan*
Schedule of Funding Progress**

Actuarial Valuation Date	Market Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	0	\$3,294,195	\$3,294,195	0.0%	\$32,971,961	10.0%
1/1/2013	0	\$3,954,637	\$3,954,637	0.0%	\$29,637,344	13.3%
1/1/2012	0	\$2,999,952	\$2,999,952	0.0%	\$28,579,888	10.5%

*Health Insurance Plan

The required contribution was determined as part of the December 31, 2014 actuarial evaluation using the entry age cost method. The unfunded accrued liability is being amortized using level dollar amount over 30 years based on an open group. The actuarial assumptions used included:

- (a) 4.5% rate of return on investments,
- (b) projected health care inflation rates of 8.0 % in 2015 reduced incrementally to 5.50 % after 5 years,
- (c) mortality rates based on the RP-2000 Combined Mortality Table,
- (d) salary increases of 3.7%,
- (e) inflation rate of 3% per year.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds account for resources which are designated by law or contractual agreement for particular funds or activities and are legally required to be accounted for in separate funds. Such resources are derived from specific taxes and federal grant and entitlement monies.

STREET - This fund accounts for State and County taxes which are to be spent on street and sidewalk construction, maintenance and repair.

PARKING - This fund accounts for funds received from parking meter revenues, parking lot rentals and parking fines. These monies are expended for maintenance and capital improvements of parking lots.

COMMUNITY DEVELOPMENT - This fund accounts for the community development grant funds received from the Federal Department of Housing and Urban Development.

ENERGY BLOCK GRANT - This fund accounts for a grant from the American Recovery and Reinvestment Act of 2009, distributed by the Department of Energy. The funds are to be used for energy efficiency projects for the municipality and established a revolving loan fund for non-profit organizations for energy efficiency improvements.

IMPACT FEE - This fund accounts for the fees paid by new developments to be used to construct water and wastewater facilities that serve such developments and for Police and Fire fees used for capital acquisitions.

DRUG LAW ENFORCEMENT - This fund accounts for drug law enforcement grant funds received from the U.S. Department of Justice, passed through the State of Arkansas, in association with Washington County; the University of Arkansas; the Cities of Springdale, Prairie Grove, Lincoln, Elm Springs, Goshen, Farmington, Greenland, Johnson, Elkins, and West Fork and the Fourth Judicial Prosecuting Attorney.

SPECIAL GRANTS - This fund accounts for a grant from the National Endowment of the Arts for an art project in the Entertainment District of Fayetteville.

PARKS DEVELOPMENT - This fund accounts for funds designated to be used for the acquisition and development of City parks. Revenue is received from a hotel/motel/restaurant tax.

POLICE AND FIRE PENSION REVENUE - This fund accounts for the property taxes and state contributions made to the Police and Fire Relief and Pension Funds.

Debt Service Funds

The debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

TAX INCREMENT FINANCING (TIF) BOND FUND - This fund accounts for the accumulation of resources for the payment of bonded debt for the economic development of the Highway 71 East Square Redevelopment District No. 1 Project.

PARKING DECK BOND FUND - This fund accounts for the accumulation of net parking revenues for the payment of bonded debt for the construction of a parking deck in the City's Entertainment District.

HMR BOND FUND - This fund accounts for the accumulation of resources for the payment of bonded debt for the City's Regional Park Project, the Walton Arts Center Expansion Project and a refunding of the Town Center 2003 debt.

Capital Projects Funds

Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

PARKING DECK PROJECT FUND - This fund accounts for the funding and expenditures for the acquisition, construction and equipping of a parking deck in the City's Entertainment District. The project also includes related roadway and other improvements.

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City of Fayetteville, Arkansas
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

Special Revenue Funds									
	Street	Parking	Community Development	Energy Block Grant	Impact Fee	Drug Law Enforcement	Special Grants	Parks Development	Police & Fire Pension Rev
Assets and Deferred Outflows of Resources									
Cash	\$								
Investments	3,782,354	\$ 114,301	\$ 36,743	\$ 60,997	\$ 6,168,277	\$ 301,397	\$ 1,433	\$ 5,958,460	
Accounts receivable		483,852						236,849	
Accrued interest	6,116	1,249		128,045	9,974	21,977		9,635	
Due from other funds	151,624	782	550		17,523			14,543	
Due from fiduciary funds	1,969	583							
Due from other governments	418,855		9,644			60,023	30,000		1,020,554
Prepaid expenditures and other assets	2,167	2,110				652			
Restricted Assets:									
Investments									
Accrued interest									
Due from other government									
Total assets and deferred outflows of resources	\$ 4,363,085	\$ 602,877	\$ 46,937	\$ 189,042	\$ 6,195,774	\$ 384,049	\$ 30,000	\$ 6,220,920	\$ 1,020,554
Liabilities, Deferred Inflows of Resources and Fund Balances									
Accounts payable	\$ 111,070	2,252	3,014	\$	\$	10,555	\$	36,527	\$
Accrued expenditures	77,494	9,605	4,460			6,975		32,564	
Accrued interest									
Compensated absences	39,503	4,499	2,647			2,670		16,130	
Due to other funds	217,200	128,418	773			4,269	30,000	28,326	
Due to fiduciary fund	3,872								
Due to other governments		19,974	10,925	126,440		52,968		465,801	
Unearned revenue		51,929							
Total liabilities	449,139	216,677	21,819	126,440	0	77,437	30,000	579,348	
Deferred inflows of resources:									
Unavailable revenue - grants									1,020,554
Unavailable revenue - property taxes									1,020,554
Total deferred inflows of resources									1,020,554
Total liabilities and deferred inflows of resources	449,139	216,677	21,819	126,440	0	77,437	30,000	579,348	1,020,554
Fund Balances									
Nonspendable									
Prepaids	2,167	2,110				652			
Restricted for:									
Transportation and parking	3,911,779				1,397,889	305,960			
Public safety				62,602					
Sustainability									
Parks and recreation			25,118					5,641,572	
Community planning and engineering									
Water and wastewater					4,797,885				
Debt service									
Assigned to:									
Transportation and parking		384,090							
Total fund balances	3,913,946	386,200	25,118	62,602	6,195,774	306,612	0	5,641,572	
Total liabilities, deferred inflows of resources and fund balances	\$ 4,363,085	\$ 602,877	\$ 46,937	\$ 189,042	\$ 6,195,774	\$ 384,049	\$ 30,000	\$ 6,220,920	\$ 1,020,554

City of Fayetteville, Arkansas
Combining Balance Sheet
Nonmajor Governmental Funds (cont'd)
December 31, 2014

	Debt Service Funds		Capital Project		Nonmajor Governmental Funds
	TIF Bond	Parking Deck Bond	HMR Bond	Fund Parking Deck Project	
Assets and Deferred Outflows of Resources					
Cash	\$	\$	\$	836,032	\$ 1,350,903
Investments				3,385,734	19,778,677
Accounts receivable					388,120
Accrued interest				5,513	32,020
Due from other funds					184,823
Due from fiduciary funds					1,969
Due from other governments					1,539,076
Prepaid expenditures and other assets					4,929
Restricted Assets:					
Investments	145,612	276,617	82,713	4,561,905	5,066,847
Accrued interest	5	3			8
Due from other government	158,308				158,308
Total assets and deferred outflows of resources	<u>\$ 303,925</u>	<u>\$ 276,620</u>	<u>\$ 82,713</u>	<u>\$ 8,789,184</u>	<u>\$ 28,505,680</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Accounts payable	\$	\$	\$	450,926	\$ 614,344
Accrued expenditures			20,271		131,098
Compensated absences					20,271
Due to other funds				1,943	65,449
Due to fiduciary fund					410,929
Due to other governments					3,872
Unearned revenue					19,974
					708,063
Total liabilities			20,271	452,869	1,974,000
Deferred inflows of resources:					
Unavailable revenue - grants	158,308				1,178,862
Unavailable revenue - property taxes					
Total deferred inflows of resources	<u>158,308</u>				<u>1,178,862</u>
Total liabilities and deferred inflows of resources	<u>158,308</u>		20,271	452,869	<u>3,152,862</u>
Fund Balances					
Nonspendable					4,929
Prepaids					
Restricted for:				5,867,007	9,778,786
Transportation and parking					1,703,849
Public safety					62,602
Sustainability					5,641,572
Parks and recreation					25,118
Community planning and engineering					4,797,885
Water and wastewater					484,679
Debt service	145,617	276,620	62,442		
Assigned to:					
Transportation and parking				2,469,308	2,853,398
Total fund balances	<u>145,617</u>	<u>276,620</u>	<u>62,442</u>	<u>8,336,315</u>	<u>25,352,818</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 303,925</u>	<u>\$ 276,620</u>	<u>\$ 82,713</u>	<u>\$ 8,789,184</u>	<u>\$ 28,505,680</u>

City of Fayetteville, Arkansas
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

		Special Revenue Funds							
	Street	Parking	Community Development	Energy Block Grant	Impact Fee	Drug Law Enforcement	Special Grant	Parks Development	Police & Fire Pension Rev
Revenues:									
Hotel, motel, restaurant tax	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property tax									
Impact Fees					1,411,144			2,792,133	1,051,240
Intergovernmental	6,030,973		576,790			347,208	65,946		510,143
Charges for services	143,347	1,334,313						475,156	
Fines and forfeitures		243,954				21,635			
Investment earnings	27,010	4,208		1,694	46,623			44,950	
Net increase in the fair value of investments	1,723	328	7,467		6,212			5,963	
Contributions			32,912	20,788		172		6,775	
Other	29,276	2,811						5,320	
Total revenues	6,232,329	1,585,614	617,169	22,482	1,463,979	369,015	65,946	3,330,297	1,561,383
Expenditures:									
General government									
Public safety						526,981	65,946		1,561,383
Community planning and engineering	5,904,220	1,014,755	597,459					1,825,169	
Parks and recreation		3,510							
Debt service						32,825		1,988,379	
Bond issue costs		18,445							
Capital outlay								3,813,548	1,561,383
Total expenditures	5,904,220	1,036,710	597,459			559,806	65,946		
Excess (deficiency) of revenues over (under) expenditures	328,109	548,904	19,710	22,482	1,463,979	(190,791)		(483,251)	
Other financing sources (uses):									
Issuance of debt									
Transfers in	(12,000)	(433,706)			(1,650,000)	198,999			
Transfers out	(12,000)	(433,706)			(1,650,000)	198,999			
Total other financing sources (uses)									
Net change in fund balances	316,109	115,198	19,710	22,482	(186,021)	8,208		(483,251)	
Fund balances, beginning of year	3,597,837	271,002	5,408	40,120	6,381,795	298,404		6,124,823	
Fund balances, end of year	\$ 3,913,946	\$ 386,200	\$ 25,118	\$ 62,602	\$ 6,195,774	\$ 306,612	\$	\$ 5,641,572	\$

City of Fayetteville, Arkansas
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds (con't)
For the Year Ended December 31, 2014

	Debt Service Funds		Capital Project Fund		Total Nonmajor Governmental Funds
	TIF Bond	Parking Deck Bond	HMR Bond	Parking Deck Project	
Revenues:					
Hotel, motel, restaurant tax					\$ 2,792,133
Property tax	129,381				1,180,621
Impact Fees					1,411,144
Intergovernmental					7,531,060
Charges for services				6,481	1,959,297
Fines and forfeitures					265,589
Investment earnings		31		7,138	131,662
Net increase in the fair value of investments	8			(4,041)	10,185
Contributions			62,213		76,455
Other					91,279
Total revenues	129,389	31	62,213	9,578	15,449,425
Expenditures:					
General government	333				333
Public safety					2,088,364
Community planning and engineering					663,405
Transportation and parking					6,918,975
Parks and recreation					1,825,169
Debt service	117,867	299,703	655,192		1,076,272
			82,272		82,272
Capital outlay				1,410,586	3,450,235
Total expenditures	118,200	299,703	737,464	1,410,586	16,105,025
Excess (deficiency) of revenues over (under) expenditures	11,189	(299,672)	(675,251)	(1,401,008)	(655,600)
Other financing sources (uses):					
Issuance of debt			681,600		681,600
Transfers in		299,148	56,093	3,870,316	4,424,556
Transfers out					(2,095,706)
Total other financing sources (uses)		299,148	737,693	3,870,316	3,010,450
Net change in fund balances	11,189	(524)	62,442	2,469,308	2,354,850
Fund balances, beginning of year	134,428	277,144		5,867,007	22,997,968
Fund balances, end of year	145,617	276,620	62,442	8,336,315	25,352,818

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Street Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 5,746,000	\$ 5,780,500	\$ 6,030,973	\$ 250,473
Charges for services	108,000	108,000	143,347	35,347
Investment earnings	11,000	11,000	27,010	16,010
Net decrease in the fair value of investments			1,723	1,723
Other	57,000	57,000	29,276	(27,724)
Total revenues	5,922,000	5,956,500	6,232,329	275,829
Expenditures:				
Transportation expenditures	6,422,000	6,572,639	5,904,220	668,419
Total expenditures	6,422,000	6,572,639	5,904,220	668,419
Excess (deficiency) of revenues over (under) expenditures	(500,000)	(616,139)	328,109	944,248
Other financing uses:				
Transfer out		(12,000)	(12,000)	
Total other financing uses		(12,000)	(12,000)	
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(500,000)	(628,139)	316,109	944,248
Fund balances, beginning of year	3,597,837	3,597,837	3,597,837	
Fund balances, end of year	\$ 3,097,837	\$ 2,969,698	\$ 3,913,946	\$ 944,248

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Parking Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,326,700	\$ 1,326,700	\$ 1,334,313	\$ 7,613
Fines and forfeitures	218,000	218,000	243,954	25,954
Investment earnings	2,700	2,700	4,208	1,508
Net increase in the fair value of investments			328	328
Other	600	600	2,811	2,211
Total revenues	<u>1,548,000</u>	<u>1,548,000</u>	<u>1,585,614</u>	<u>37,614</u>
Expenditures:				
Parking expenditures	1,270,489	1,300,989	1,014,755	286,234
Debt service	3,511	3,511	3,510	1
Capital outlay	31,000	113,055	18,445	94,610
Total expenditures	<u>1,305,000</u>	<u>1,417,555</u>	<u>1,036,710</u>	<u>380,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>243,000</u>	<u>130,445</u>	<u>548,904</u>	<u>418,459</u>
Other financing uses:				
Transfer out	<u>(300,000)</u>	<u>(534,558)</u>	<u>(433,706)</u>	<u>100,852</u>
Total other financing uses	<u>(300,000)</u>	<u>(534,558)</u>	<u>(433,706)</u>	<u>100,852</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>(57,000)</u>	<u>(404,113)</u>	<u>115,198</u>	<u>519,311</u>
Fund balances, beginning of year	<u>271,002</u>	<u>271,002</u>	<u>271,002</u>	
Fund balances, end of year	<u>\$ 214,002</u>	<u>\$ (133,111)</u>	<u>\$ 386,200</u>	<u>\$ 519,311</u>

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Community Development Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 562,000	\$ 1,247,751	\$ 576,790	\$ (670,961)
Contributions		8,102	7,467	(635)
Other		12,815	32,912	20,097
Total revenues	<u>562,000</u>	<u>1,268,668</u>	<u>617,169</u>	<u>(651,499)</u>
Expenditures:				
Community Planning and Engineering	<u>562,000</u>	<u>1,269,053</u>	<u>597,459</u>	<u>671,594</u>
Total expenditures	<u>562,000</u>	<u>1,269,053</u>	<u>597,459</u>	<u>671,594</u>
Excess (deficiency) of revenues over (under) expenditures		(385)	19,710	20,095
Fund balances, beginning of year	<u>5,408</u>	<u>5,408</u>	<u>5,408</u>	
Fund balances, end of year	<u>\$ 5,408</u>	<u>\$ 5,023</u>	<u>\$ 25,118</u>	<u>\$ 20,095</u>

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Energy Block Grant Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$	\$	\$ 1,694	\$ 1,694
Other			20,788	20,788
Total revenues			22,482	22,482
Expenditures:				
Energy Block Grant expenditures				
Capital outlay				
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures			22,482	22,482
Fund balances, beginning of year			40,120	
Fund balances, end of year	\$	\$	\$ 62,602	\$ 22,482

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Impact Fee Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Impact fees	\$ 1,091,000	\$ 1,091,000	\$ 1,411,144	\$ 320,144
Investment earnings	22,000	22,000	46,623	24,623
Net increase in the fair value of investments			6,212	6,212
Total revenues	<u>1,113,000</u>	<u>1,113,000</u>	<u>1,463,979</u>	<u>350,979</u>
Expenditures:				
Public safety		813		813
Capital outlay	<u>213,000</u>	<u>678,734</u>		<u>678,734</u>
Total expenditures	<u>213,000</u>	<u>679,547</u>		<u>679,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>900,000</u>	<u>433,453</u>	<u>1,463,979</u>	<u>1,030,526</u>
Other financing uses:				
Transfer out	<u>(900,000)</u>	<u>(3,598,287)</u>	<u>(1,650,000)</u>	<u>1,948,287</u>
Total other financing uses	<u>(900,000)</u>	<u>(3,598,287)</u>	<u>(1,650,000)</u>	<u>1,948,287</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)		<u>(3,164,834)</u>	<u>(186,021)</u>	<u>2,978,813</u>
Fund balances, beginning of year	<u>6,381,795</u>	<u>6,381,795</u>	<u>6,381,795</u>	
Fund balances, end of year	<u>\$ 6,381,795</u>	<u>\$ 3,216,961</u>	<u>\$ 6,195,774</u>	<u>\$ 2,978,813</u>

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Drug Law Enforcement Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 321,200	\$ 502,991	\$ 347,208	\$ (155,783)
Fines and forfeitures	8,800	8,800	21,635	12,835
Other	2,000	2,000	172	(1,828)
Total revenues	332,000	513,791	369,015	(144,776)
Expenditures:				
Public safety	565,000	669,890	526,981	142,909
Capital outlay		63,600	32,825	30,775
Total expenditures	565,000	733,490	559,806	173,684
Deficiency of revenues under expenditures	(233,000)	(219,699)	(190,791)	28,908
Other financing sources:				
Transfer in	233,000	199,100	198,999	(101)
Total other financing sources	233,000	199,100	198,999	(101)
Excess (deficiency) of revenues over/(under) expenditures and other financing sources		(20,599)	8,208	28,807
Fund balances, beginning of year	298,404	298,404	298,404	
Fund balances, end of year	\$ 298,404	\$ 277,805	\$ 306,612	\$ 28,807

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Grant Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$	100,000	65,946	\$ (34,054)
Total revenues		100,000	65,946	(34,054)
Expenditures:				
Energy Block Grant expenditures				
Community Planning and Engineering		100,000	65,946	34,054
Total expenditures		100,000	65,946	34,054
Excess (deficiency) of revenues over (under) expenditures				
Fund balances, beginning of year				
Fund balances, end of year	\$	\$	\$	\$

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Parks Development Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
HMR tax	\$ 2,693,000	\$ 2,693,000	\$ 2,792,133	\$ 99,133
Charges for services		485,794	475,156	(10,638)
Investment earnings	23,000	23,000	44,950	21,950
Net increase in the fair value of investments			5,963	5,963
Contributions	20,000	20,000	6,775	(13,225)
Other	1,000	5,250	5,320	70
Total revenues	<u>2,737,000</u>	<u>3,227,044</u>	<u>3,330,297</u>	<u>103,253</u>
Expenditures:				
Parks and recreation	1,923,000	4,260,338	1,825,169	2,435,169
Capital outlay	<u>814,000</u>	<u>4,398,219</u>	<u>1,988,379</u>	<u>2,409,840</u>
Total expenditures	<u>2,737,000</u>	<u>8,658,557</u>	<u>3,813,548</u>	<u>4,845,009</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(5,431,513)</u>	<u>(483,251)</u>	<u>4,948,262</u>
Fund balances, beginning of year	<u>6,124,823</u>	<u>6,124,823</u>	<u>6,124,823</u>	
Fund balances, end of year	<u>\$ 6,124,823</u>	<u>\$ 693,310</u>	<u>\$ 5,641,572</u>	<u>\$ 4,948,262</u>

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Police and Fire Pension Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property tax	\$	\$	\$ 1,051,240	\$ 1,051,240
Intergovernmental			510,143	510,143
Total revenues			1,561,383	1,561,383
Expenditures:				
Public safety			1,561,383	(1,561,383)
Total expenditures			1,561,383	(1,561,383)
Excess of revenues over expenditures				
Fund balances, beginning of year				
Fund balances, end of year	\$	\$	\$	\$

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Sales Tax Improvement Bond Debt Service Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Sales tax	\$ 18,592,000	\$ 18,592,000	\$ 18,416,342	\$ (175,658)
Investment earnings			424	424
Total revenues	<u>18,592,000</u>	<u>18,592,000</u>	<u>18,416,766</u>	<u>(175,234)</u>
Expenditures:				
General Government	700	1,334	1,333	1
Debt service	<u>18,591,300</u>	<u>20,347,298</u>	<u>20,326,066</u>	<u>21,232</u>
Total expenditures	<u>18,592,000</u>	<u>20,348,632</u>	<u>20,327,399</u>	<u>21,233</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(1,756,632)</u>	<u>(1,910,633)</u>	<u>(154,001)</u>
Fund balances, beginning of year	<u>7,481,652</u>	<u>7,481,652</u>	<u>7,481,652</u>	
Fund balances, end of year	<u>\$ 7,481,652</u>	<u>\$ 5,725,020</u>	<u>\$ 5,571,019</u>	<u>\$ (154,001)</u>

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
TIF Bond Debt Service Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax	\$ 123,000	\$ 123,000	\$ 129,381	\$ 6,381
Investment earnings			8	8
Total revenues	<u>123,000</u>	<u>123,000</u>	<u>129,389</u>	<u>6,389</u>
Expenditures:				
Contract services	6,300	6,300	333	5,967
Debt service	<u>116,700</u>	<u>116,700</u>	<u>117,867</u>	<u>(1,167)</u>
Total expenditures	<u>123,000</u>	<u>123,000</u>	<u>118,200</u>	<u>4,800</u>
Excess (deficiency) of revenues over (under) expenditures			<u>11,189</u>	<u>11,189</u>
Fund balances, beginning of year	<u>134,428</u>	<u>134,428</u>	<u>134,428</u>	
Fund balances, end of year	<u>\$ 134,428</u>	<u>\$ 134,428</u>	<u>\$ 145,617</u>	<u>\$ 11,189</u>

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Parking Deck Bond Debt Service Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ _____	\$ _____	\$ 31	\$ 31
Total revenues	_____	_____	31	31
Expenditures:				
Debt service	300,000	300,000	299,703	297
Total expenditures	300,000	300,000	299,703	297
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(300,000)	(299,672)	328
Other financing sources:				
Transfer in	300,000	300,000	299,148	(852)
Total other financing sources	300,000	300,000	299,148	(852)
Excess (deficiency) of revenues over/(under) expenditures and other financing sources	_____	_____	(524)	(524)
Fund balances, beginning of year	277,144	277,144	277,144	_____
Fund balances, end of year	\$ 277,144	\$ 277,144	\$ 276,620	\$ (524)

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
HMR Bond Debt Service Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Contributions	\$ _____	\$ 62,212	\$ 62,213	\$ 1
Total revenues	_____	62,212	62,213	1
Expenditures:				
Bond issue costs		82,273	82,272	1
Debt service	_____	655,192	655,192	_____
Total expenditures	_____	737,465	737,464	1
Excess (deficiency) of revenues over (under) expenditures	_____	(675,253)	(675,251)	2
Other financing sources:				
Issuance of debt		681,600	681,600	
Transfer in	_____	56,093	56,093	_____
Total other financing sources	_____	737,693	737,693	_____
Excess (deficiency) of revenues over/(under) expenditures and other financing sources	_____	62,440	62,442	2
Fund balances, beginning of year	_____	_____	_____	_____
Fund balances, end of year	\$ _____	\$ 62,440	\$ 62,442	\$ 2

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Sales Tax Improvement Capital Projects Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Sales tax	\$ 7,432,000	\$ 7,432,000	\$ 7,361,993	\$ (70,007)
Property tax			6	
Intergovernmental		10,300,344	5,825,712	(4,474,632)
Charges for services	62,000	639,936	364,894	(275,042)
Investment earnings	14,000	14,000	46,139	32,139
Net decrease in the fair value of investments			(2,492)	(2,492)
Other	15,000	15,000	33,090	18,090
Total revenues	7,523,000	18,401,280	13,629,342	(4,771,944)
Expenditures:				
Capital outlay	7,523,000	24,606,397	11,716,984	12,889,413
Total expenditures	7,523,000	24,606,397	11,716,984	12,889,413
Excess (deficiency) of revenues over (under) expenditures	0	(6,205,117)	1,912,358	8,117,469
Other financing sources (uses):				
Transfer in		2,713,706	2,713,706	
Transfers out		(75,000)	(75,000)	
Total other financing sources (uses)		2,638,706	2,638,706	
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	0	(3,566,411)	4,551,064	8,117,469
Fund balances, beginning of year	4,286,286	4,286,286	4,286,286	
Fund balances, end of year	\$ 4,286,286	\$ 719,875	\$ 8,837,350	\$ 8,117,469

City of Fayetteville, Arkansas
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual (GAAP Basis)
 Sales Tax 2006A Construction Capital Projects Fund
 For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$	\$	\$ 19,772	\$ 19,772
Investment earnings	600	600	2,410	1,810
Other	6,400	6,400		(6,400)
Total revenues	7,000	7,000	22,182	15,182
Expenditures:				
Capital outlay	7,000	26,580,438	7,561,646	19,018,792
Total expenditures	7,000	26,580,438	7,561,646	19,018,792
Excess (deficiency) of revenues over (under) expenditures		(26,573,438)	(7,539,464)	19,033,974
Fund balances, beginning of year	26,465,402	26,465,402	26,465,402	
Fund balances, end of year	\$ 26,465,402	\$ (108,036)	\$ 18,925,938	\$ 19,033,974

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
HMR Parks/Arts Center Construction Capital Projects Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ _____	\$ _____	\$ 126	\$ 126
Total revenues	_____	_____	126	126
Expenditures:				
Bond issue costs		220,031	137,531	82,500
Capital outlay	_____	10,823,660	10,677	10,812,983
Total expenditures	_____	11,043,691	148,208	10,895,483
Excess (deficiency) of revenues over (under) expenditures	_____	(11,043,691)	(148,082)	10,895,609
Other financing sources (uses):				
Issuance of debt	_____	11,043,691	10,961,191	(82,500)
Total other financing sources (uses)	_____	11,043,691	10,961,191	(82,500)
Excess (deficiency) of revenues under expenditures and other financing sources (uses)	_____	_____	10,813,109	10,813,109
Fund balances, beginning of year	_____	_____	_____	_____
Fund balances, end of year	\$ _____	\$ _____	\$ 10,813,109	\$ 10,813,109

City of Fayetteville, Arkansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Parking Deck Capital Projects Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ 2,000	\$ 2,000	\$ 7,138	\$ 5,138
Net decrease in the fair value of investments			(4,041)	(4,041)
Charges for services		1,771,975	6,481	(1,765,494)
Total revenues	2,000	1,773,975	9,578	(1,765,494)
Expenditures:				
Capital outlay	2,000	11,552,745	1,410,586	10,142,159
Total expenditures	2,000	11,552,745	1,410,586	10,142,159
Excess (deficiency) of revenues over (under) expenditures		(9,778,770)	(1,401,008)	8,377,762
Other financing sources (uses):				
Transfer in		3,970,316	3,870,316	(100,000)
Total other financing sources (uses)		3,970,316	3,870,316	(100,000)
Excess (deficiency) of revenues under expenditures and other financing sources (uses)		(5,808,454)	2,469,308	8,277,762
Fund balances, beginning of year	5,867,007	5,867,007	5,867,007	
Fund balances, end of year	<u>\$ 5,867,007</u>	<u>\$ 58,553</u>	<u>\$ 8,336,315</u>	<u>\$ 8,277,762</u>

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others, and therefore cannot be used to support the government's own programs.

POLICEMEN'S PENSION AND RELIEF FUND - This fund is used to account for the accumulation of resources for the pension benefit payments to qualified police personnel.

FIREMEN'S PENSION AND RELIEF FUND - This fund is used to account for the accumulation of resources for the pension benefit payments to qualified fire personnel.

City of Fayetteville, Arkansas
Combining Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Pension Trust Funds		
	Policemen's Pension and Relief	Firemen's Pension and Relief	Total Pension Trust
Assets			
Cash	\$ 25,812	\$ 86,520	\$ 112,332
Investments at fair value:			
Money Market	429,234	238,957	668,191
U. S. Government securities	1,201,118	219,250	1,420,368
Corporate bonds	971,113	811,448	1,782,561
Corporate stock	4,491,285	3,010,915	7,502,200
Receivables:			
Accrued interest	13,694	3,615	17,309
Due from primary government	9,202	3,872	13,074
Due from other government	8,531	8,531	17,062
Total assets	<u>7,149,989</u>	<u>4,383,108</u>	<u>11,533,097</u>
Liabilities			
Due to primary government		5,469	5,469
Unearned revenue	<u>11,700</u>		<u>11,700</u>
Total liabilities	<u>11,700</u>	<u>5,469</u>	<u>17,169</u>
Net Position			
Assets held in trust for pension benefits	<u>\$ 7,138,289</u>	<u>\$ 4,377,639</u>	<u>\$ 11,515,928</u>

City of Fayetteville, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	Pension Trust Funds		
	Policemen's Pension and Relief	Firemen's Pension and Relief	Total Pension Trust
Additions			
Contributions:			
City contributions	\$ 101,596	\$	\$ 101,596
Property taxes contributed from police and fire pension revenue fund	525,620	525,620	1,051,240
State insurance taxes contributed from police and fire pension revenue fund	<u>222,299</u>	<u>287,844</u>	<u>510,143</u>
Total contributions	849,515	813,464	1,662,979
Investment earnings:			
Interest	193,756	110,629	304,385
Net increase/(decrease) in fair value of investments	(355,917)	101,905	(254,012)
Gain on sale of investments	513,762	144,876	658,638
Other	<u>5,368</u>	<u>366</u>	<u>5,734</u>
Net investment gain	<u>356,969</u>	<u>357,776</u>	<u>714,745</u>
Total additions	<u>1,206,484</u>	<u>1,171,240</u>	<u>2,377,724</u>
Deductions			
Contractual services	3,732	3,800	7,532
Benefit payments	<u>1,602,776</u>	<u>1,414,657</u>	<u>3,017,433</u>
Total deductions	<u>1,606,508</u>	<u>1,418,457</u>	<u>3,024,965</u>
Change in net position	(400,024)	(247,217)	(647,241)
Net position, beginning of year	<u>7,538,313</u>	<u>4,624,856</u>	<u>12,163,169</u>
Net position, end of year	<u>\$ 7,138,289</u>	<u>\$ 4,377,639</u>	<u>\$ 11,515,928</u>

STATISTICAL SECTION

This part of the City of Fayetteville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents	Page
Financial Trends	117
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	122
These schedules contain information to help the reader assess the government's most significant local revenue sources, sales taxes and property taxes.	
Debt Capacity	127
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	132
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	136
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

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City of Fayetteville, Arkansas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Invested in capital assets, net of related debt	\$ 157,318,960	\$ 134,218,414	\$ 119,383,756	\$ 112,853,575	\$ 113,255,205	\$ 102,695,938	\$ 94,347,834	\$ 211,286,106	\$ 208,494,734	\$ 82,171,940
Restricted	23,784,826	27,197,067	24,382,771	26,522,053	30,158,631	35,318,120	37,068,625	32,961,586	30,343,614	46,945,251
Unrestricted	10,020,944	5,315,507	9,728,092	422,113	(3,431,261)	(4,322,670)	350,782	1,129,834	3,955,462	11,695,924
Total governmental activities net position	\$ 191,124,730	\$ 166,730,988	\$ 153,494,619	\$ 139,797,741	\$ 139,982,575	\$ 133,691,388	\$ 131,767,241	\$ 245,377,526	\$ 242,793,810	\$ 140,813,115
Business-type activities										
Invested in capital assets, net of related debt	\$ 314,446,757	\$ 320,567,821	\$ 325,118,312	\$ 322,825,384	\$ 313,516,845	\$ 304,853,810	\$ 308,819,009	\$ 176,708,067	\$ 151,119,132	\$ 139,142,428
Restricted	1,406,950	1,591,550	1,753,171	2,556,961	2,269,269	8,544,497	1,879,851	1,749,348	1,734,362	475,805
Unrestricted	48,100,710	42,456,439	37,219,632	29,149,159	25,851,462	20,228,945	18,074,457	17,614,374	18,246,778	27,338,400
Total business-type activities net position	\$ 363,954,417	\$ 364,615,810	\$ 364,091,115	\$ 354,531,504	\$ 341,637,576	\$ 333,627,252	\$ 328,773,317	\$ 196,071,789	\$ 171,100,272	\$ 166,956,633
Primary government										
Invested in capital assets, net of related debt	\$ 471,765,717	\$ 454,786,235	\$ 444,502,068	\$ 435,678,959	\$ 426,772,050	\$ 407,549,748	\$ 403,166,843	\$ 387,994,173	\$ 359,613,866	\$ 221,314,368
Restricted	25,191,776	28,788,617	26,135,942	29,079,014	32,427,900	43,862,617	38,948,476	34,710,934	32,077,976	47,421,056
Unrestricted	58,121,654	47,771,946	46,947,724	29,571,272	22,420,201	15,906,275	18,425,239	18,744,208	22,202,240	39,034,324
Total primary government net position	\$ 555,079,147	\$ 531,346,798	\$ 517,585,734	\$ 494,329,245	\$ 481,620,151	\$ 467,318,640	\$ 460,540,558	\$ 441,449,315	\$ 413,894,082	\$ 307,769,748

City of Fayetteville, Arkansas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities										
General government										
Finance and internal services	\$ 7,385,429	\$ 7,785,005	\$ 6,897,415	\$ 7,255,645	\$ 6,817,930	\$ 11,099,194	\$ 6,861,791	\$ 6,762,097	\$ 6,847,753	\$ 6,507,895
Public safety	4,159,837	3,715,334	3,455,213	3,390,115	3,312,219	3,512,992	4,929,662	3,762,278	3,374,365	3,570,329
Police	28,313,610	27,597,173	26,859,529	26,093,379	-	-	-	-	-	-
Fire	-	-	-	-	15,579,702	15,896,019	15,090,050	15,571,238	14,964,418	12,649,309
Community planning and engineering	3,902,090	3,710,029	3,862,818	3,722,903	11,106,727	11,186,082	10,046,485	10,477,184	9,309,154	7,376,790
Transportation and parking	17,523,912	16,593,532	16,384,991	15,656,762	3,130,583	3,331,553	3,415,607	3,441,827	3,792,144	3,038,810
Parks and recreation	4,449,030	4,372,727	4,475,878	4,124,098	15,577,072	14,381,760	13,559,779	13,840,356	11,835,241	7,789,913
Water and wastewater	-	-	-	-	4,211,418	4,260,621	4,141,381	4,271,363	3,886,346	3,895,041
Interest on long-term debt	4,384,316	4,592,107	4,450,789	4,809,180	-	-	-	-	-	-
Total governmental activities expenses	70,118,224	68,365,907	66,386,633	65,052,082	65,195,639	68,947,747	63,895,146	65,347,729	58,415,624	45,776,261
Business-type activities										
Airport	3,604,077	3,510,791	2,400,889	2,205,402	2,198,062	2,322,892	2,298,392	2,304,279	2,472,438	2,827,891
Continuing education center	-	-	-	-	-	-	-	-	51,275	304,876
Town center	366,518	452,828	477,520	495,411	511,682	525,865	538,416	550,561	559,191	568,101
Solid waste	9,985,615	9,759,030	8,951,305	8,545,416	8,838,873	8,248,798	8,423,818	7,626,840	7,249,481	6,824,712
Water and sewer	36,370,813	36,071,609	35,313,209	33,892,375	33,272,168	33,683,250	31,455,978	27,579,750	25,413,817	24,372,652
Total business-type activities expenses	50,327,023	49,794,258	47,142,923	45,138,604	44,820,785	44,780,805	42,716,604	38,061,430	35,746,202	34,898,232
Total primary government expenses	\$ 120,445,247	\$ 118,160,165	\$ 113,529,556	\$ 110,190,686	\$ 110,016,424	\$ 113,728,552	\$ 106,611,750	\$ 103,409,159	\$ 94,161,826	\$ 80,674,493
Program revenues										
Governmental activities:										
General government	\$ 2,684,843	\$ 1,156,738	\$ 1,140,313	\$ 1,191,560	\$ 1,090,177	\$ 1,072,595	\$ 1,293,461	\$ 1,250,590	\$ 963,219	\$ 878,917
Finance and internal services	343,626	347,468	330,946	311,267	287,386	264,954	250,284	244,207	317,219	306,971
Public safety	1,566,490	1,651,202	1,712,213	2,007,417	-	-	-	-	-	-
Police	-	-	-	-	1,642,907	1,491,635	1,325,179	1,303,908	1,359,295	1,183,882
Fire	-	-	-	-	19,785	16,312	33,158	15,684	23,982	22,795
Community planning and engineering	1,317,984	994,109	1,636,649	740,172	549,835	582,990	1,301,080	1,391,343	1,377,333	1,544,752
Transportation and parking	2,043,408	2,250,096	1,552,242	1,727,341	953,956	1,146,705	621,297	2,449,840	757,545	837,567
Parks and recreation	1,045,425	692,928	884,420	649,905	939,808	878,455	1,176,621	821,336	915,694	493,693
Water and wastewater	-	-	-	-	-	-	-	8,559,306	-	1,120,701
Operating grants and contributions	10,516,762	8,044,009	8,827,905	8,650,761	8,463,046	13,206,928	7,568,001	8,177,694	6,717,346	6,646,584
Capital grants and contributions	8,264,672	9,639,429	4,697,613	5,095,902	8,054,875	4,093,931	8,557,094	12,662,617	12,662,617	8,116,646
Total governmental activities	27,783,210	24,775,979	20,782,301	20,374,325	22,001,775	22,754,505	22,126,175	24,213,908	25,094,250	21,152,508
Business-type activities										
Airport	2,346,228	1,913,042	703,769	654,696	703,192	692,369	719,914	656,704	711,722	1,218,948
Continuing education center	-	-	-	-	-	-	-	-	-	122,000
Recycling and trash collection	9,862,792	9,708,545	9,390,258	9,194,348	8,815,762	8,557,416	9,387,724	8,726,964	8,208,819	7,767,957
Water and sewer	33,858,219	33,200,583	34,316,514	32,133,628	29,761,443	27,531,109	24,728,050	25,477,259	26,511,807	25,086,080
Operating grants and contributions	11,014	-	-	-	-	-	-	-	-	287,891
Capital grants and contributions	4,016,376	2,196,534	5,371,749	3,495,044	6,149,411	4,410,045	7,445,570	7,791,930	9,792,794	5,681,581
Total business-type activities	50,094,629	47,018,704	49,784,290	45,477,716	45,429,808	41,190,939	42,281,258	42,652,857	45,225,142	40,164,457
Total primary government program revenues	\$ 77,877,839	\$ 71,794,683	\$ 70,566,591	\$ 65,852,041	\$ 67,431,583	\$ 63,945,444	\$ 64,407,433	\$ 66,866,765	\$ 70,319,392	\$ 61,316,965
Net (expenses)/ revenues										
Governmental activities	\$ (42,335,014)	\$ (43,589,928)	\$ (45,604,332)	\$ (44,677,757)	\$ (43,193,864)	\$ (46,193,242)	\$ (41,768,971)	\$ (41,133,821)	\$ (33,321,374)	\$ (24,623,753)
Business-type activities	(232,394)	(2,775,554)	2,641,367	339,112	609,023	(3,589,866)	(435,346)	4,591,427	9,478,940	5,266,225
Total primary government net expense	\$ (42,567,408)	\$ (46,365,482)	\$ (42,962,965)	\$ (44,338,645)	\$ (42,584,841)	\$ (49,783,108)	\$ (42,204,317)	\$ (36,542,394)	\$ (23,842,434)	\$ (19,357,528)

City of Fayetteville, Arkansas
Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Sales and use taxes	\$ 50,058,697	\$ 48,266,826	\$ 51,610,308	\$ 44,335,082	\$ 42,323,680	\$ 42,475,350	\$ 44,480,482	\$ 42,212,067	\$ 39,493,881	\$ 38,457,554
Franchise taxes	5,819,517	5,619,859	5,300,768	4,961,645	4,904,603	4,603,450	4,834,761	4,621,999	4,602,572	4,208,306
Hotel, motel, restaurant taxes	2,792,133	2,624,137	2,732,282	2,298,187	2,181,585	2,165,809	2,171,452	2,030,913	2,063,875	1,944,250
Impact fees	1,411,144	1,291,036	1,643,118	911,065	1,179,649	1,789,891	1,617,669	2,355,445	1,740,150	-
Property taxes	2,951,675	2,801,109	2,984,448	2,816,047	2,643,437	2,733,043	2,656,827	2,204,879	2,855,246	1,139,677
Investment earnings	376,717	34,449	268,803	225,848	900,869	839,114	2,988,457	8,076,840	6,335,903	2,733,061
Gain on sale of assets	-	-	-	-	-	-	-	245,943	1,061,263	(3,108,449)
Other	1,109,621	(655,454)	132,539	26,329	-	(21,214)	260,139	-	-	-
Transfers	2,209,252	(2,014,637)	(5,371,056)	(11,081,280)	(4,648,772)	(6,468,054)	(130,851,101)	(18,030,549)	5,852,021	45,065
Capital contributions										
Total governmental activities	<u>66,728,756</u>	<u>57,967,325</u>	<u>59,301,210</u>	<u>44,492,923</u>	<u>49,485,051</u>	<u>48,117,389</u>	<u>(71,841,314)</u>	<u>43,717,537</u>	<u>64,004,911</u>	<u>45,419,464</u>
Business-type activities:										
Sales and use taxes	22,639	25,061	25,449	29,733	27,110	-	-	-	-	-
Franchise fees	209,389	162,169	174,545	156,633	109,275	77,892	105,724	186,903	123,814	140,456
Investment earnings	325,707	14,953	168,556	123,608	456,541	318,732	733,501	1,063,825	1,128,091	817,298
Gain/(loss) on sale of assets	-	-	-	-	-	-	-	-	(1,745,995)	225,251
Other	1,222,518	1,298,294	1,178,638	1,163,562	2,159,603	1,579,123	1,446,548	1,098,813	1,010,810	1,101,891
Transfers	(2,209,252)	2,014,637	5,371,056	11,081,280	4,648,772	6,468,054	130,851,101	18,030,549	(5,852,021)	(45,065)
Total business-type activities	<u>(428,999)</u>	<u>3,515,114</u>	<u>6,918,244</u>	<u>12,554,816</u>	<u>7,401,301</u>	<u>8,443,801</u>	<u>133,136,874</u>	<u>20,380,090</u>	<u>(5,335,301)</u>	<u>2,239,831</u>
Total primary government	<u>\$ 66,299,757</u>	<u>\$ 61,482,439</u>	<u>\$ 66,219,454</u>	<u>\$ 57,047,739</u>	<u>\$ 56,886,352</u>	<u>\$ 56,561,190</u>	<u>\$ 61,295,560</u>	<u>\$ 64,097,627</u>	<u>\$ 58,669,610</u>	<u>\$ 47,659,295</u>
Change in net position										
Governmental activities	\$ 24,393,742	\$ 14,377,397	\$ 13,696,878	\$ (184,834)	\$ 6,291,187	\$ 1,924,147	\$ (113,610,285)	\$ 2,583,716	\$ 30,683,537	\$ 20,795,711
Business-type activities	(661,393)	739,560	9,559,611	12,893,928	8,010,324	4,853,935	132,701,528	24,971,517	4,143,639	7,506,056
Total primary government change in net position	<u>\$ 23,732,349</u>	<u>\$ 15,116,957</u>	<u>\$ 23,256,489</u>	<u>\$ 12,709,094</u>	<u>\$ 14,301,511</u>	<u>\$ 6,778,082</u>	<u>\$ 19,091,243</u>	<u>\$ 27,555,233</u>	<u>\$ 34,827,176</u>	<u>\$ 28,301,767</u>

2014, 2013, 2012, & 2011 Police and Fire are combined into Public safety

City of Fayetteville, Arkansas
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General fund										
Nonspendable										
Prepays	\$ 158,387	\$ 140,148	\$ 117,381	\$ 118,462	\$	\$	\$	\$	\$	\$
Long term loans	269,535	427,503	583,912	777,534						
Restricted for:										
Public safety	616,819	829,673	589,527	424,289						
Community planning and engineering	133,351	90,900	102,996	83						
Park and recreation	68,431	49,712	25,276	27,766						
Committed to:										
Economic development	135,491	754,241	577,616	727,116						
Public safety	-	128,820	-	213,801						
General government	283,408	196,751	218,776	257,003						
Disaster recovery	3,000,000	3,000,000	2,878,344	2,725,094						
Finance and internal services	52,000									
Assigned to:										
General government	1,073	11,086	-	-						
Finance and internal services	169,335	19,580	-	-						
Public safety	53,996	24,919	10,144	18,142						
Community planning and engineering	-	700	-	-						
Park and recreation	-	-	-	3,916						
Capital projects	-	322,525	161,500	204,994						
Unassigned	14,392,804	15,208,497	14,918,703	12,151,014						
Reserved	-	-	-	-						
Unreserved, designated	-	-	-	-						
Unreserved	-	-	-	-						
Total general fund	\$ 19,334,630	\$ 21,205,055	\$ 20,184,175	\$ 17,649,214	\$ 12,085,764	\$ 10,877,035	\$ 11,544,372	\$ 11,014,148	\$ 12,034,206	\$ 14,859,048
All other governmental funds										
Nonspendable										
Prepays	\$ 4,929	\$ 4,757	\$ 5,686	\$ 4,185	\$	\$	\$	\$	\$	\$
Restricted for:										
General government	7,170,411									
Transportation and parking	29,347,869	40,214,482	21,841,642	14,129,581						
Public safety	2,511,108	1,248,835	978,302	617,111						
Sustainability	62,602	40,120	17,657	13,569						
Community planning and engineering	189,642	5,408	302,630	4,951						
Finance and internal services	90,012	-	107,177	-						
Park and recreation	9,608,411	6,124,823	5,536,992	4,681,934						
Water and wastewater	4,797,885	5,430,759	4,904,795	4,855,636						
Debt service	6,055,698	7,893,224	4,334,612	3,863,161						
Committed to:										
Transportation and parking	-	-	-	1,033						
Water and wastewater	-	-	1,516,924	1,471,654						
Capital projects	-	-	-	8,887,393						
Assigned to:										
Transportation and parking	2,853,398	268,900	405,202	52,289						
Park and recreation	-	-	9,300	-						
Reserved	-	-	-	-						
Unreserved, designated	-	-	-	-						
Unreserved reported in:										
Special revenue	6,808,269	-	-	-						
Capital projects	-	-	-	-						
Total all other governmental funds	\$ 69,500,234	\$ 61,231,308	\$ 39,960,919	\$ 38,582,497	\$ 48,050,237	\$ 63,774,406	\$ 77,481,931	\$ 102,192,947	\$ 143,257,556	\$ 115,095,304
Total governmental funds	\$ 88,834,864	\$ 82,436,363	\$ 60,145,094	\$ 56,231,711	\$ 60,136,001	\$ 74,651,441	\$ 89,026,303	\$ 113,207,095	\$ 155,291,762	\$ 129,954,352

The 2002 through 2010 fund balances are not comparable to 2011 due to the adoption of GASB 54, therefore, additional years will be presented in the classifications prescribed by GASB 54 in the future for comparison purposes.

City of Fayetteville, Arkansas
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Revenues	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sales tax	\$ 49,629,988	\$ 48,381,193	\$ 47,015,172	\$ 44,335,082	\$ 42,323,680	\$ 42,475,350	\$ 44,480,482	\$ 42,212,067	\$ 39,493,881	\$ 38,457,555
Hotel, motel, restaurant tax	2,792,133	2,624,137	2,732,282	2,298,187	2,181,585	2,165,809	2,171,452	2,030,913	2,063,875	1,944,250
Property tax	2,867,510	2,722,335	2,910,258	2,748,302	2,758,871	2,576,394	2,299,530	2,034,069	2,064,523	-
Franchise tax	5,619,517	5,619,859	5,300,768	4,961,645	4,904,603	4,603,450	4,834,761	4,621,999	4,602,572	4,208,306
Impact fee	1,411,144	1,291,036	1,643,118	911,065	1,179,649	1,789,891	1,617,669	2,355,445	-	-
Licenses and permits	1,319,832	1,098,338	1,341,093	850,735	699,207	663,165	1,344,053	1,335,140	1,252,486	1,386,488
Intergovernmental	16,207,308	13,798,702	9,944,727	12,019,023	9,392,130	13,865,399	8,209,268	8,849,176	7,859,962	7,620,219
Charges for services	4,022,754	3,726,652	3,386,693	3,209,681	2,633,543	2,675,169	2,497,024	4,012,571	4,367,907	3,282,554
Fines and forfeitures	1,697,665	1,910,903	2,110,903	2,315,178	1,809,758	1,682,014	1,669,077	1,655,606	1,553,672	1,490,428
Investment earnings	307,817	159,672	242,283	290,793	652,391	946,671	2,445,179	7,647,555	6,030,936	2,563,461
Net increase(decrease) in the fair value of investments	9,735	(131,032)	(26,014)	(106,599)	97,698	(226,417)	263,917	-	-	-
Contributions	216,888	118,630	119,489	184,182	124,979	144,765	91,490	-	-	-
Other	3,511,112	410,798	535,747	324,823	334,641	433,296	837,985	943,518	1,497,517	515,923
Total revenues	89,813,403	81,731,223	77,256,200	74,342,097	69,092,735	73,794,956	72,761,887	77,698,059	70,787,331	61,469,184
Expenditures										
General government	6,371,241	6,777,247	6,005,661	6,314,965	5,761,085	12,035,966	6,484,234	5,824,683	6,225,119	5,835,926
Finance and Internal services	3,809,527	3,414,326	3,232,020	3,241,970	3,195,193	3,337,101	4,808,207	3,530,491	3,151,681	3,300,815
Public safety	26,072,599	24,760,289	23,626,065	22,968,683	-	-	-	-	-	-
Police	-	-	-	-	13,752,634	14,903,285	14,103,152	14,057,637	13,356,653	11,817,208
Fire	-	-	-	-	8,834,335	9,278,757	8,547,600	8,549,523	7,708,408	6,698,621
Community planning and engineering	3,944,403	3,173,708	3,795,668	3,605,624	3,089,013	3,322,880	3,405,513	3,380,222	3,781,191	2,977,603
Transportation, parking and utilities	8,646,215	8,380,231	7,874,089	7,051,581	7,371,310	6,958,326	6,802,698	7,647,081	6,385,885	6,807,258
Parks and recreation	3,863,143	3,722,673	3,821,911	3,498,748	3,495,265	3,691,036	3,649,268	3,888,607	3,424,532	3,287,162
Water and wastewater	-	-	-	-	-	-	-	-	-	-
Debt service	3,979,283	3,830,630	4,349,579	4,683,294	5,074,240	5,485,597	5,468,559	5,507,735	3,831,557	1,891,221
Interest and trustee fees	17,423,055	11,113,255	13,269,115	12,219,049	11,510,858	12,849,481	11,070,536	13,441,158	9,567,754	40,600,997
Principal	219,803	14,434,542	12,236,595	14,367,814	18,699,709	27,398,486	36,212,235	77,382,382	55,531,394	17,752,750
Bond issue cost	19,104,517	79,606,901	78,210,703	77,951,728	80,783,642	99,260,915	100,552,002	143,209,519	112,964,174	100,969,561
Capital outlay	93,433,786	2,124,322	(954,503)	(3,609,631)	(11,690,907)	(25,465,959)	(27,790,115)	(65,511,460)	(42,176,843)	(39,500,377)
Total expenditures	(3,620,383)	21,166,947	86,786,886	(294,659)	(2,824,533)	11,091,097	3,609,323	23,426,793	67,514,253	75,523,026
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers in	7,138,262	905,667	380,301	1,386,981	835,746	2,474,822	1,867,961	5,300,068	13,665,126	606,408
Transfers out	(8,762,169)	(3,053,377)	(1,709,413)	(1,681,640)	(3,660,279)	(2,633,725)	(1,995,742)	(5,432,278)	(8,754,261)	(1,773,279)
Bonds issued	11,642,791	22,750,000	6,220,000	-	-	11,250,000	3,737,104	23,139,123	61,033,773	75,725,000
Bond issue costs	-	(435,343)	(23,002)	-	-	-	-	91,880	1,568,615	534,737
Capital leases	-	-	-	-	-	-	-	-	-	-
Installment sales	-	-	-	-	-	-	-	328,000	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	430,160
Total other financing sources/(uses)	10,018,884	20,166,947	4,867,886	(294,659)	(2,824,533)	11,091,097	3,609,323	23,426,793	67,514,253	75,523,026
Net changes in fund balances	\$ 6,398,501	\$ 22,291,269	\$ 3,913,383	\$ (3,904,290)	\$ (14,515,440)	\$ (14,374,862)	\$ (24,180,792)	\$ (42,084,667)	\$ 25,337,410	\$ 36,022,649
Debt service as a percentage of noncapital expenditures	28.79%	22.93%	26.71%	26.58%	26.71%	25.51%	25.71%	28.79%	23.33%	51.06%

City of Fayetteville, Arkansas
Governmental Funds Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Sales Tax	Sales & Use Tax		Sales & Use Tax For Bonded Debt 0.25% (4)	Franchise Fees	HMR Tax (1%)	Alcoholic Beverage Tax	City Property Tax (3)	TIF	
		For Bonded Debt 0.75% (2)	For Bonded Debt						Property Tax	Total
2005 \$	38,057,704 \$	-	\$	-	4,208,306 \$	1,944,250	397,133	\$	-	\$ 44,607,393
2006	39,084,042	-	-	-	4,602,572	2,063,875	429,839	2,670,714	184,532	49,035,573
2007	41,764,996	-	-	-	4,621,999	2,030,913	447,071	2,204,803	76	51,069,858
2008	44,012,599	-	-	-	4,834,761	2,171,452	467,883	2,656,827	-	54,143,522
2009	26,280,654	11,782,692		3,927,564	4,603,450	2,165,809	484,440	2,518,632	57,762	36,110,747
2010	26,172,956	11,753,150		3,917,717	4,904,603	2,181,585	479,857	2,648,386	110,485	52,168,739
2011	27,320,485	12,389,060		4,129,686	4,961,645	2,298,187	495,852	2,599,615	148,688	54,343,218
2012	28,856,439	13,168,559		4,389,519	5,300,768	2,732,282	(1) 600,655	2,812,986	(1) 97,274	57,958,482
2013	29,755,393	13,541,618		4,513,873	5,619,859	2,624,137	570,309	2,593,085	129,250	59,347,524
2014	30,604,136	13,812,257		4,604,085	5,819,517	2,792,133	609,510	2,738,129	129,381	61,109,148

Notes: (1) Includes \$211,138 HMR, \$49,342 Alcoholic beverage tax, and \$153,700 City property tax in accruals due to revenue recognition timing change.

(2) Sales tax rate increased by .75% in 2002 for wastewater improvements.

(3) Property tax rate increased by 1.3 mills in 2006.

(4) Sales tax rate increased by .25% in 2007 for wastewater, street, and trail improvements.

City of Fayetteville, Arkansas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Year	Real Property		Personal Property			Total		Ratio of Total Assessed to Total Estimated Actual	Total Direct Tax Rate
	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Assessed Value	Appraised Value			
2005	724,428,354	3,246,809,100	189,404,588	915,513,510	913,832,942	4,162,322,610	20.00%	0.80	
2006	802,306,156	3,622,141,770	198,469,816	947,022,940	1,000,775,972	4,569,164,710	20.00%	2.10	
2007	942,667,570	4,713,337,850	203,094,564	1,015,472,820	1,145,762,134	5,728,810,670	20.00%	2.10	
2008	1,026,022,871	5,130,114,355	206,311,701	1,031,558,505	1,232,334,572	6,161,672,860	20.00%	2.10	
2009	1,067,947,653	5,339,738,265	191,973,349	959,866,745	1,259,921,002	6,299,605,010	20.00%	2.10	
2010	1,025,933,870	5,129,669,350	188,130,198	940,650,990	1,214,064,068	6,070,320,340	20.00%	2.10	
2011	1,046,174,941	5,230,874,705	199,900,209	999,501,045	1,246,075,150	6,230,375,750	20.00%	2.10	
2012	1,063,617,013	5,318,085,065	203,289,225	1,016,446,125	1,266,906,238	6,334,531,190	20.00%	2.10	
2013	1,084,550,127	5,422,750,635	216,005,532	1,080,027,660	1,300,555,659	6,502,778,295	20.00%	2.10	
2014	1,115,992,871	5,579,964,355	226,841,704	1,134,208,520	1,342,834,575	6,714,172,875	20.00%	2.10	

Source: Washington County Assessor

City of Fayetteville, Arkansas
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Tax rates (millages)

Year	City of Fayetteville				Total Fayetteville	Fayetteville Library	Washington County	Fayetteville Public Schools	Total Direct & Overlapping Rates
	Police's Pension & Relief Fund	Firemen's Pension & Relief Fund	General Fund						
2005	0.4	0.4			0.80	1.00	6.16	45.00	52.96
2006	0.4	0.4	1.3		2.10	1.00	5.80	43.80	52.70
2007	0.4	0.4	1.3		2.10	1.00	5.60	42.90	51.60
2008	0.4	0.4	1.3		2.10	1.00	5.50	42.90	51.50
2009	0.4	0.4	1.3		2.10	1.00	5.50	42.90	51.50
2010	0.4	0.4	1.3		2.10	1.00	5.50	45.65	54.25
2011	0.4	0.4	1.3		2.10	1.00	5.00	45.65	53.75
2012	0.4	0.4	1.3		2.10	1.00	5.00	45.65	53.75
2013	0.4	0.4	1.3		2.10	1.00	5.00	45.65	53.75
2014	0.4	0.4	1.3		2.10	1.00	5.00	45.65	53.75

Source: Washington County Assessor

City of Fayetteville, Arkansas
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Year</u>	<u>Total Tax Levy (1,2,3)</u>	<u>Current Tax Collections (4)</u>	<u>Percentage of Levy Collected</u>	<u>Prior Years' Collections (5)</u>	<u>Total Collections</u>	<u>Percentage of Total Collections to Tax Levy</u>
2005	\$ 665,972	\$ 603,432	90.61%	45,840	\$ 649,272	97.49%
2006	2,058,508	2,008,343	97.56%	19,914	2,028,257	98.53%
2007	2,206,271	1,999,673	90.64%	58,678	2,058,351	93.30%
2008	2,587,903	2,015,001	77.86%	267,908	2,282,910	88.21%
2009	2,747,268	2,016,481	73.40%	308,184	2,324,665	84.62%
2010	2,513,768	2,348,973	93.44%	122,170	2,471,143	98.30%
2011	2,702,597	2,325,276	86.04%	75,497	2,400,773	88.83%
2012	2,780,691	2,441,333	87.80%	301,691	2,743,024	98.65%
2013	2,863,611	2,614,242	91.29%	163,685	2,777,927	97.01%
2014	2,952,207	2,452,658	83.08%	119,244	2,571,902	87.12%

Note:

- (1) Tax levies and collections do not include taxes paid on city utilities.
- (2) The highway 71 east square redevelopment district No. 1 was created in 2005.
- (3) The City levied 1.3 mill property tax in 2006.
- (4) Court Orders are excluded out of the Current Year Collections.
- (5) Land Sales are excluded out of the Prior Year Collections

Source: Washington County Assessor

Property assessments are made; tax rates are established; and taxes are levied in one year for payment by the taxpayer and collection by local government the following year. The tax levy for this schedule includes the city's levy for its general fund, sales tax construction fund, police pension plan, and fire pension plan.

City of Fayetteville, Arkansas
Principal Property Taxpayers
December 31, 2014

Taxpayer	2014			2005		
	Assessed Valuation (1)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (1)	Rank	Percentage of Total Assessed Valuation
Macerich Fayetteville 4201 Shiloh (Mall)	14,566,484	1	1.08%	13,338,967	1	1.46%
Sam's Real Estate Business Trust	14,359,244	2	1.07%			
Superior Industries Int'l INC	9,636,515	3	0.72%	8,047,744	2	0.88%
Pinnacle Foods Group LL	9,178,838	4	0.68%			
Mathias Shopping Centers INC	8,875,647	5	0.66%			
Tyson Company	8,494,045	6	0.63%			
The Links at Fayetteville	5,795,550	7	0.43%			
Cliffs III Limited Partnership	5,381,070	8	0.40%			
Lowe's Home Centers INC #432	4,995,205	9	0.37%			
Sweetser Family Limited (Sharon Trust)	4,698,627	10	0.35%			
Southwestern Bell				7,616,853	3	0.83%
Lazenby Properties				7,056,500	4	0.77%
Sweetser Family Limited				6,721,207	5	0.74%
Hanna, JB LLC				5,432,579	6	0.59%
Superior Industries Int'l INC				4,881,797	7	0.53%
Lowe's Home Centers INC #432				4,762,962	8	0.52%
MSB Properties & Nanchar INC				4,661,380	9	0.51%
Greens at Lakeside Village				4,369,461	10	0.48%
Totals	\$ 85,981,225		6.40%	\$ 66,889,450		7.32%

(1) Washington County Assessor

City of Fayetteville, Arkansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bond	Special Obligation Bonds	Capital Leases/Notes	Sales Tax Bonds	Revenue Bonds	Capital Leases/Notes			
2005	\$ 290,000	\$ 75,725,000	\$ 1,596,262	\$ -	\$ 18,325,000	\$ 856,544	96,792,806	3.86%	1,083
2006	-	124,228,773	988,509	-	16,745,000	552,843	142,515,126	5.65%	1,662
2007	3,570,000	135,207,896	695,351	-	15,115,000	199,498	154,787,745	7.04%	2,517
2008	2,910,000	128,985,000	269,814	-	13,430,000	-	145,594,814	7.04%	2,655
2009	2,225,000	128,532,196	208,137	-	19,910,000	-	150,875,333	6.33%	2,496
2010	1,140,000	117,826,716	142,759	-	18,130,000	-	137,239,475	6.24%	2,230
2011	400,000	106,076,968	73,459	-	16,285,000	-	122,835,426	4.94%	2,033
2012	-	99,101,311	-	-	13,625,000	-	112,726,311	3.70%	1,664
2013	-	110,738,055	-	-	11,510,000	-	122,248,055	3.82%	1,661
2014 *	-	106,316,444	-	-	8,928,151	-	115,244,595	3.43%	1,566

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population data can be found in the Schedule of Demographic and Economic Statistics.

* 2014 net of the premium and discount

Source: General ledger files

City of Fayetteville, Arkansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2014

	<u>Total Bonded Debt Outstanding</u>	<u>Percentage Applicable to the City</u>	<u>Estimated Share of Direct Overlapping Debt</u>
Direct:			
City of Fayetteville (1)	\$ <u>106,316,444</u>	100%	\$ <u>106,316,444</u>
Overlapping:			
Fayetteville Public School District (2)	179,916,807	100%	179,916,807
Washington County (3)	<u>-</u>		<u>-</u>
Total overlapping	<u>179,916,807</u>		<u>179,916,807</u>
Total direct and estimated overlapping bonded debt	\$ <u><u>286,233,251</u></u>		\$ <u><u>286,233,251</u></u>

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values within the City.

(2) Stephens, Inc.

(3) Washington County Comptroller

City of Fayetteville, Arkansas
Legal Debt Margin Information
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	\$ 335,708,644	\$ 325,138,915	\$ 316,726,560	\$ 311,518,788	\$ 303,516,017	\$ 314,980,251	\$ 308,083,643	\$ 286,440,534	\$ 250,193,993	\$ 228,455,985
Total net debt applicable to limit	-	-	-	73,459	542,759	1,348,137	2,494,814	3,605,350	4,558,509	-
Legal debt margin	<u>\$ 335,708,644</u>	<u>\$ 325,138,915</u>	<u>\$ 316,726,560</u>	<u>\$ 311,445,329</u>	<u>\$ 302,973,258</u>	<u>\$ 313,632,114</u>	<u>\$ 305,588,829</u>	<u>\$ 282,835,184</u>	<u>\$ 245,635,484</u>	<u>\$ 228,455,985</u>
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.02%	0.18%	0.43%	0.81%	1.26%	1.82%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 1,342,834,575
Debt limit-25% of assessed value	335,708,644
Debt applicable to limit	-
General obligation bonds	-
Less: debt service reserve	-
Total net debt applicable to debt limit	-
Legal debt margin	<u>\$ 335,708,644</u>

Note: Under state finance law the City of Fayetteville's outstanding general obligation debt should not exceed 25 percent of total assessed property value. Act 1808 of 2001 increased the debt limit by allowing an additional 5 percent for short term financing. Prior to 2001 the debt limit was 20 percent of assessed property value.

Source: Washington County Assessor

**City of Fayetteville, Arkansas
Water and Sewer Fund
Revenue Bond Coverage
Last Ten Fiscal Years**

Year	Operating Revenue (1)	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service			Coverage	
				Principal	Interest	Total		
Water and Sewer Fund								
2005	\$ 25,086,080	\$ 19,899,966	\$ 5,186,114	\$ 1,005,000	\$ 586,837	\$ 1,591,837	3.26	
2006	26,511,807	20,666,711	5,845,096	1,070,000	549,900	1,619,900	3.61	
2007	25,472,138	22,564,228	2,907,910	1,110,000	467,192	1,577,192	1.84	
2008	24,728,050	22,607,901	2,120,149	1,150,000	429,436	1,579,436	1.34	
2009	27,531,109	23,256,352	4,274,757	1,190,000	440,965	1,630,965	2.62	
2010	29,761,443	22,433,809	7,327,634	1,225,000	599,218	1,824,218	4.02	
2011	32,133,628	23,104,420	9,029,208	1,270,000	554,918	1,824,918	4.95	
2012	34,318,514	24,095,032	10,223,482	2,120,000	506,337	2,626,337	3.89	
2013	33,200,583	25,064,294	8,136,289	1,505,000	313,983	1,818,983	4.47	
2014	33,858,219	25,831,801	8,026,418	1,530,000	229,194	1,759,194	4.56	

(1) As defined by each respective bond ordinance.

**City of Fayetteville, Arkansas
Parking Fund
Revenue Bond Coverage
Last Seven Fiscal Years**

<u>Year</u>	<u>Operating Revenue (1)</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Maximum Annual Debt Service</u>		<u>Total</u>	<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>		
<u>Parking Fund</u>							
2008	431,019	377,501	53,518	N/A	N/A	N/A	N/A
2009	405,896	389,856	16,040	N/A	N/A	N/A	N/A
2010	766,659	525,841	240,818	N/A	N/A	N/A	N/A
2011	1,347,857	766,935	580,922	N/A	N/A	N/A	N/A
2012	1,485,810	750,777	735,033	230,000	150,633	380,633	1.93
2013	1,454,659	765,558	689,101	230,000	150,633	380,633	1.81
2014	1,535,201	784,771	750,430	230,000	150,633	380,633	1.97

(1) As defined by each respective bond ordinance.

City of Fayetteville, Arkansas
Demographic & Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>City of Fayetteville Population(1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income(2)</u>	<u>Median Age(1)</u>	<u>Education Level in Years of Formal Schooling(3)</u>	<u>School Enrollment(4)</u>	<u>Unemployment Percentage Rate(5)</u>
2005	58,047	1,708,323	29,430	26.9	14.0	8,353	3.3
2006	67,158	2,075,283	30,902	26.7	14.0	8,520	3.7
2007	67,158	2,179,047	32,447	26.7	14.0	8,406	3.7
2008	67,158	2,287,999	34,069	26.7	14.0	8,548	3.9
2009	67,158	2,402,399	35,772	26.7	14.0	8,566	5.1
2010	73,580	2,763,736	37,561	26.7	14.0	8,838	6.0
2011	73,580	2,901,923	39,439	26.7	14.0	9,017	5.3
2012	73,580	3,047,019	41,411	26.7	14.0	9,142	4.9
2013	73,580	3,199,370	43,482	26.7	14.0	9,421	4.6
2014	73,580	3,359,338	45,656	26.7	14.0	9,503	3.9

Sources:

- (1) U.S. Census Bureau
- (2) Income of previous year x 5%
- (3) Previous U.S. Census Bureau report
- (4) Fayetteville Public School Administrator
- (5) Discover Arkansas Unemployment Rates

**City of Fayetteville
Principal Employers
Current Year and Nine Years Ago**

	2014			2005		
	Employees	Rank	Percentage of Population 73,580	Employees	Rank	Percentage of Population 58,047
University of Arkansas	12,810	1	17.41%	7,397	1	12.74%
Washington Regional Medical Center	2,092	2	2.84%	2,000	2	3.45%
Veteran's Admin. Medical	1,217	3	1.65%	895	6	1.54%
Washington Co. Government	1,522	4	2.07%	580	8	1.00%
Fayetteville School District	1,340	5	1.82%	1,180	5	2.03%
Superior Industries	822	6	1.12%	1,300	3	2.24%
City of Fayetteville	735	7	1.00%	712	7	1.23%
Wal-mart #9149 (optical lab)	663	8	0.90%	305	10	0.53%
Tyson Mexican Original	631	9	0.86%	1,200	4	2.07%
Walmart#144	530	10	0.72%	315	9	0.54%
	22,362		30.39%	15,884		27.36%

Source: HR Departments from above listed employers

City of Fayetteville, Arkansas
Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	42.7	43.7	41.5	41.5	41.5	41.9	41.9	41.25	41.25	41.25
Finance	53.25	52.75	52.75	52.75	52.75	53.25	53.25	53.25	52.75	52.75
Police										
Officers/Uniformed	121	121	121	121	121	121	121	121	120	116
Civilians	49	50.6	66.4	66.4	66.4	66.43	66.43	66.43	65.43	65.43
Fire										
Officers/Uniformed	110	110	110	110	110	110	110	109	105	101
Civilians	4	4	4	4	4	4	4	4	4	3
Community planning and engineering	69.8	70.3	54.5	54.5	54.5	57.5	57.5	58.15	55	55
Transportation, parking, utilities	77.3	75.3	83	82	82	75	75	75	74.65	74.65
Parks and recreation	54.65	54.35	54.35	54.35	54.35	53.35	53.35	53.35	52.85	51.85
Water and sewer	93.5	93.5	88	88	88	91.5	91.5	91.5	90.5	90.5
Recycling and trash collection	57	57	57	57	57	55.6	55.6	55.6	51.6	50.6
Airport	12.6	12.6	6	6	6	5.5	5.5	5.5	5.5	8.5
Fleet operations	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	17.5	17.5
Total	763.3	763.6 *	757	756	756	753.53	753.53	752.53	736.03	728.03

Source: City of Fayetteville Budget Office

* Millionaire relinquished contract to the City resulting in the addition of 6.6 Airport positions in 2013

City of Fayetteville
Capital Assets by Function
Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Stations	3	3	2	2	2	2	2	2	2	1
Police units	62	62	62	62	62	62	63	66	61	40
Fire										
Fire stations	8	8	7	7	7	7	7	6	6	6
Fire trucks	16	17	17	16	16	15	15	15	11	12
Transportation										
Paved streets (miles)	409	407	407	406	405	401	399	394	312	274
Traffic signals	117	108	107	104	107	100	96	90	80	76
Parks and recreation										
Parks acreage	3,699	3,346	3,335	3,380	3,189	3,085	2,946	2,939	2,798	2708
Parks	67	60	63	70	70	71	69	70	65	59
Baseball/softball fields	18	18	18	18	18	18	18	18	18	20
Water and sewer										
Water meters active	39,238	38,736	38,120	37,338	37,396	38,977	36,180	35,162	34,324	35,247
Water mains (miles)	808	791	752	751	750	730	720	685	645	605
Sewer mains (miles)	580	578	543	543	543	539	530	520	520	500
Recycling and trash collection										
Sanitation trucks	37	37	38	38	41	41	41	40	37	37

Source: City of Fayetteville divisions

City of Fayetteville, Arkansas
Operating Indicators by Function
Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Calls for service	42,307	40,735	39,695	37,827	35,570	45,565	46,985	50,846	51,529	52,146
Physical arrests	3,778 (1)	3,195 (1)	6,108 (1)	5,331	5,447	5,771	6,709	5,883	5,530	7,325
9-1-1 calls	40,327	38,140	35,355	33,121	29,713	32,039	31,129	31,364	30,836	31,716
Fire										
Calls for service	9,163	8,370	7,953	7,729	7,011	7,293	7,148	7,021	6,568	6,512
Inspections (hours)	1,564	1,811	1,373	962	913	1,229	1,456	1,258	695	654
Community planning & engineering										
Building inspections	19,084	21,844	15,068	11,449	13,222	24,919	23,892	28,692	29,152	28,104
Building permits issued	399	403	415	289	272	708	997	1,221	1,112	1,225
Transportation										
Streets overlaid (miles)	8	11	13	5	9	8	11	18	13	18
Parks and recreation										
Softball/Baseball participants	4,406	4,590	5,306	5,242	4,565	4,538	4,426	4,982	4,769	4,205
Soccer participants	2,941	2,812	2,828	2,928	2,940	2,949	3,012	3,058	2,947	2,939
Water and sewer										
Active accounts	39,724	38,736	38,120	37,780	37,396	36,192	36,180	34,738	34,564	33,394
Meters read	481,133	476,371	471,969	464,622	463,497	453,928	444,847	415,957	406,118	420,432
Water leaks repaired	681	702	614	581	465	483	437	576	815	711
Recycling and trash collection										
Recycling (tons)	5,893	5,680	5,190	5,302	5,215	5,533	5,901	7,795	5,754	5,190

Source: City of Fayetteville divisions

Notes: (1) Per Calea standards the Police data has changed to Custodial Arrest starting in 2013.

City of Fayetteville, Arkansas
Miscellaneous Statistical Data
December 31, 2014

Municipal water system:

Beaver Water District pumping capacity	140 mgd
Pumping capacity to Fayetteville	42.50 mgd
Average daily water use in 2014	14.31
Maximum day's water use in 2014	24.43 mg
Water rates charged by Beaver Water District (per million gallons)	1.26 per 1000 gallons
Water users consuming more than 5% of water output in 2014:	

University of Arkansas	6.43%
------------------------	-------

Sewage treatment plant:

Nominal plant capacity for two plants	21.2 mgd
Average daily sewage flow in 2014	11.4 mgd

City's water rate structure
effective 1/1/2014

	Inside City	Outside City
First 2,000 gallons	\$2.77	\$3.18
2,001 to 15,000 gallons	3.67	4.22
15,001 gallons and over	5.19	5.96

City's sewer rate structure
effective 1/1/2014

	Usage per 1,000 Gallons
First 2,000 gallons	\$3.43
Greater than 2,000	4.57
Non-residential-all usage	3.48
Major industrial-all usage	3.72
All usage:	
Farmington	5.94
Greenland	6.46
Outside city	6.46

Water and sewer system:

2014 operating revenues	\$ 33,858,219
2014 bad debt expense	\$ 263,506
2014 bad debt percentage	0.78%
Cost of projected capital improvements for 2015	\$ 24,985,538

City of Fayetteville, Arkansas
TIF Statistical Data

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Property Tax Increment Receipts	129,381	129,250	97,274	148,688	110,485	57,762	-	76	184,532	11,093
Total Principal Amount of Bonds Redeemed	65,000	55,000	95,000	75,000	45,000	-	-	150,000	110,000	-
Total Principal Amount of Bonds Outstanding	3,130,000	3,195,000	3,250,000	3,345,000	3,420,000	3,465,000	3,465,000	3,465,000	3,615,000	3,725,000
Incremental Value of Real Property within District	26,450,722	20,376,082	18,490,357	17,883,243	17,031,603	19,620,047	18,414,414	13,071,288	6,634,725	-
Total Accreted Value of Bonds Outstanding	5,791,621	5,545,572	5,291,501	5,108,716	4,899,611	4,557,736	4,275,324	4,010,412	3,510,376	-
Total Accreted Value of Bonds Redeemed	114,017	90,495	146,629	108,587	61,115	-	-	168,146	116,919	-
Bonds Outstanding	626	639	650	669	684	693	693	693	723	745



**Independent Accountants' Report on Compliance
With Arkansas State Requirements**

The Honorable Mayor and Members of City Council
City of Fayetteville, Arkansas
Fayetteville, Arkansas

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We have examined the City of Fayetteville, Arkansas' (the City) compliance with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2014.

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Fayetteville, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2014.

This report is intended solely for the information and use of the Audit Committee, Mayor, City Council, management, and the State of Arkansas and is not intended to be, and should not be, used by anyone other than these specified parties.

Grant Thornton LLP

Dallas, Texas
June 19, 2015

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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The Honorable Mayor and Members of the City Council
The City of Fayetteville, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Arkansas (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2015.

Our report includes a reference to other auditors who audited the financial statements of the Fayetteville Public Library and the Fayetteville Advertising and Promotion Commission, which are discretely presented component units which represent 100% of assets, net position, and revenues of the aggregate discretely presented component units, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Fayetteville Public Library, audited by other auditors, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Fayetteville Public Library.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

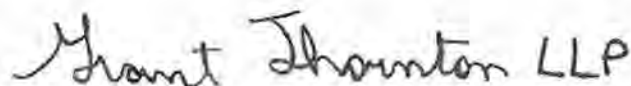
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dallas, Texas
June 19, 2015



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and Members of the City Council
The City of Fayetteville, Arkansas

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Report on compliance for its major federal program

We have audited the compliance of the City of Fayetteville, Arkansas (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the City's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on each major federal program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

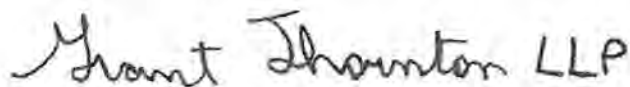
Report on internal control over compliance

Management of the City is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on its major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Dallas, Texas
June 19, 2015

City of Fayetteville, Arkansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2014

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA number</u>	<u>Grant or identifying number</u>	<u>Federal Expenditures</u>
FEDERAL ASSISTANCE:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Community Development Block Grant	14.218	B-14-MC-05-0001	\$ 576,440
FEDERAL AVIATION ADMINISTRATION			
Direct Programs:			
Rehab of Terminal Apron	20.106	3-05-0020-42-2014	20,777
NATIONAL ENDOWMENT FOR THE ARTS			
Direct Programs:			
School Ave. Sidewalk (Artistic Design)	45.024	201NEA010T	65,946
DEPARTMENT OF THE INTERIOR			
Passed through AR Historic Preservation Commission:			
Historic Preservation Fund Grants-In-Aid	15.904	13-CLG-06	1,076
Historic Preservation Fund Grants-In-Aid	15.904	14-CLG-05	<u>2,514</u>
Total Department of the Interior			3,590
DEPARTMENT OF JUSTICE			
Direct Programs:			
Federal Forfeitures	16.000	None	26,669
IRS Forfeitures	16.000	None	<u>9,883</u>
Subtotal 16.000			36,552
Bulletproof Vest Partnership Program	16.607	2013BUBX12060489	4,644
Bulletproof Vest Partnership Program	16.607	2014BUBX14071930	<u>2,046</u>
Subtotal Bulletproof Vest Partnership Program			6,690
<i>JAG Program Cluster</i>			
Justice Assistance Grant	16.738	2011-DJ-BX-2967	3,654
Justice Assistance Grant	16.738	2013-DJ-BX-1156	11,891
Passed through Arkansas Department of Finance and Administration:			
Drug Law Enforcement Program	16.738	J12-014	79,874
Drug Law Enforcement Program	16.735	J13-014	<u>36,569</u>
Total JAG Program Cluster			131,988
Passed through Arkansas State Police:			
Internet Crimes Against Children	16.543	ICAC10-C2-02	13,508
Cops Hiring Grant	16.710	2013UMWX0009	<u>42,160</u>
Total Department of Justice			230,898

City of Fayetteville, Arkansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2014

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA number</u>	<u>Grant or identifying number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF TRANSPORTATION			
Passed through Arkansas State Highway and Transportation Department:			
Rehabilitation of Maple Street & Lafayette Street Bridges	20.205	AHTD Job 040618	\$ 84,416
Fayetteville Economic Corridor	20.205	AHTD Job 040505	279,501
Hwy. 265 (W&S) Joyce to City limits (North)	20.205	AHTD Job 040518	117
Fayetteville Economic Corridor (Roundabout)	20.205	AHTD Job 040536	39
Cato Springs Road Improvements	20.205	AHTD Job 040496	120,095
Fayetteville Economic Corridor (Flyover)	20.205	AHTD Job 040535	859,511
Town Branch Trail (Part I) Greathouse to 71B	20.205	AHTD Job 040603	270,000
Town Branch Trail (Part II) Greathouse to 71B	20.205	AHTD Job 040603	352,647
Rupple Road (Best Friend to W Mt. Comfort Rd.)	20.205	AHTD Job 040657	84,901
Passed through Arkansas Recreational Trails Program:			
Lake Fayetteville (South) Trail	20.219	Job 040613	<u>75,000</u>
Total Highway Planning and Construction Cluster			2,126,227
Passed through Arkansas State Police:			
Selective Traffic Enforcement Project	20.600	K8-2014-08-06-09	66,512
Selective Traffic Enforcement Project	20.600	K8-2013-08-06-10	<u>16,220</u>
Subtotal State and Community Highway Safety			<u>82,732</u>
Total Department of Transportation			2,208,959
DEPARTMENT OF TREASURY			
Direct Programs:			
IRS Task Force 2012-2014	21.XXX	Contract	11,570
IRS Task Force 2014-2015	21.XXX	Contract	<u>3,913</u>
Total Department of Treasury			15,483
DEPARTMENT OF HOMELAND SECURITY			
Passed through Arkansas Department of Emergency Management:			
Public Assistance Grant/Flood 2011	97.044	EMW-2012-FO-04964	11,537
Assistance to Firefighter's grant	97.039	FEMA 1975-DR-AR	120,736
Office of National Drug Control			
Passed through Washington County:			
Gulf Coast High Intensity Drug Trafficking Area (OT) 2013	08.17PGCP616Z	G12GC004A	56,320
Gulf Coast High Intensity Drug Trafficking Area (Drug) 2013	08.17PGCP616Z	G13GC004A	<u>78,392</u>
Subtotal Gulf Coast High Intensity Drug Trafficking Area			<u>134,712</u>
Total Department of Homeland Security			266,985

City of Fayetteville, Arkansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2014

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA number</u>	<u>Grant or identifying number</u>	<u>Federal Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct programs:			
State and Tribal Assistance Grant (Elkins Outfall) (2010)	66.202	XP-00F26701-0	\$ 40,643
State and Tribal Assistance Grant (S. Fay. Rehab) (2009)	66.202	XP-00F27401-0	291,000
Region 6 Wetland Program Development (Niokaska Creek)	66.461	CD-00F08501-0	<u>12,890</u>
Total Environmental Protection Agency			<u>351,533</u>
Total Federal Assistance			<u>\$3,740,611</u>

City of Fayetteville, Arkansas

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year ended December 31, 2014

<u>State Grantor/ Pass-through Grantor/ Program Title</u>	<u>Grant or identifying number</u>	<u>State Expenditures</u>
STATE ASSISTANCE:		
Department of Aeronautics		
Department of Aeronautics -State Grant	3-05-0020-42-2014	\$ 2,309
Arkansas Department of Emergency Management		
Act 833 (turnback of Fire insurance premiums)	None	52,188
Arkansas Natural Resources		
Rain Gardens at West Side & Noland WWTP	None	14,185
Rain Garden at W/S Ops Bldg.	None	<u>2,217</u>
Total Arkansas Natural Resources		16,402
Arkansas Department of Agriculture		
Firewise Grant 2012	None	500
Firewise Grant 2013	None	<u>500</u>
Total Arkansas Department of Agriculture		1,000
Arkansas Department of Environmental Quality		
Quality Recycling (Westside educational materials 2010)	BMT10-10	6,840
Recycling containers for Apartments 2013	None	17,647
E-Waste Coupon redemption (2012)	2012-05	7,785
E-Waste Coupon redemption (2013)	BMT01-13EW	765
Code Compliance Activity Book (2014)	None	<u>2,464</u>
Total Arkansas Department of Environmental Quality		35,501
Arkansas Department of Emergency Management		
Public Assistance Grant (Flood 2011)	FEMA 1975-DR-AR	7,427
Arkansas State Police		
Special State Asset Forfeiture	SSAFF15	3,924
Drug Law Enforcement Program	J 13-014	15,974
Drug Law Enforcement Program	J 14-014-14	8,045
Drug Law Enforcement Program (from fines)	J14-004-DF	43,014
Arkansas State Drug Crime Enforcement & Prosecution	13-014-DF	10,972
Arkansas State Drug Crime Enforcement & Prosecution	14-014-DF	<u>48,449</u>
Total Arkansas State Police		130,378
Northwest Arkansas Economic Development District		
Lights of the Ozarks (GIF)	85-117-11-13	10,000
Snowplow and Snow Equipment (GIF)	84-237-04-14	<u>34,500</u>
Total Northwest Arkansas Economic Development District		<u>44,500</u>
Total State Assistance		<u>\$289,705</u>

City of Fayetteville, Arkansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

December 31, 2014

(1) Basis of Accounting

The Schedule of Expenditures of Federal and State Awards (the "Schedule") is prepared on the modified accrual basis of accounting.

(2) Reporting Entity

The City of Fayetteville, Arkansas (the "City"), for purposes of the Schedule of Expenditures of Federal and State Awards, includes all the funds of the primary government as defined by the Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining whether Certain Organizations Are Component Units- an amendment of GASB Statement No. 14*.

(3) Relationship To Federal Financial Reports

Grant expenditures reports as of December 31, 2014, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

(4) Federal Awards Reconciliation

Intergovernmental revenues per statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 16,207,308
Less intergovernmental awards from sources other than federal awards	<u>(12,466,697)</u>
Total expenditures per schedule of expenditures of federal awards	\$ <u>3,740,611</u>

City of Fayetteville, Arkansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS -
CONTINUED

December 31, 2014

(5) Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	REVISED <u>Subrecipient</u>	Amount Provided <u>per IDIS report</u>	<u>Program year</u>
CDBG	14.218	Redevelopment Projects 2011	\$ 1,872	2011
		Housing Rehab 2012	85,409	2012
		Housing Rehab Projects 2012	112,932	2012
		Code Compliance Assistance 2012	34,583	2012
		Taxi/Transit 2012	9,599	2012
		CDBG Administration 2013	74,065	2013
		Taxi/Transit 2013	6,000	2013
		Life Source Public Facilities 2013	26,050	2013
		YRCC Renovation 2013	3,500	2013
		Housing Rehab 2013	172,533	2013
		LifeSource Summer Camp	20,000	2014
		Prism Willow Heights Pre-school Program	20,000	2014
		Taxi/Transit 2014	<u>689</u>	2014
		Total	<u>\$567,232</u>	

City of Fayetteville, Arkansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal controls over major program:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA/Grant Number/Identification Number</u>	<u>Name of Federal Program or Cluster</u>
Major Federal Programs:	
20.205, 20.219	Highway Planning and Construction Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$300,000 for federal programs
Auditee qualified as low-risk auditee-Federal?	Yes

City of Fayetteville, Arkansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended December 31, 2014

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The audit disclosed no findings required to be reported.

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

The audit disclosed no findings required to be reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

The audit disclosed no findings required to be reported.